PUBLIC AND PRIVATE PROPERTY IN GREAT BRITAIN

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IN THE UNIVERSITY OF MANCHESTER

WITH AN INTRODUCTION BY

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PREFACE

THIS preface must rightly begin with an acknowledgement to Professor Henry Clay. My interest in the social problems arising out of the character of the present distribution of property and of incomes was first aroused by listening as a student to his lectures, while he was in Manchester. It was not until I returned to the University that I had the opportunity of developing my interest in these problems and I was able to re-examine the available information relating to the ownership of property and the distribution of incomes in this country. It soon became obvious that much of the essential information needed for a complete study of this subject was not published and the official statistics were much less adequate even than they were before the War. Thus, no figures were available since 1919 of the distribution of incomes (except for incomes over £2,000) according to size of incomes, and the essential information needed to measure the personal distribution of property was collected for 1936 for the first time since 1930 only after a petition had been submitted by the Royal Statistical Society and the Manchester Statistical Society. Details of the ownership of land have not been collected since 1873 and no statistics have ever been published of the number of people who own the houses they occupy. It has not been possible for a private person working alone to fill in all the serious gaps in the information needed for a comprehensive study of public and private property such as I had hoped to do.

Indeed, the task of writing this book would have been almost impossible for one person to complete if I had not been sure at all times of the willing co-operation of my senior colleagues, Professor Daniels and Professor Jewkes; I alone know how valuable their help has

been. Until his death, I discussed with Professor Daniels regularly the different problems which arose in my work, and if he had lived I had hoped he would have allowed his name to be associated with mine in the title of this book. He had promised to write an introduction dealing more generally with some of the points I was only able to touch upon in the book itself. I am grateful to my friend, Professor Jewkes, now for writing this introduction for me.

This book is published from the Economics Research Section of the University of Manchester and I should like to acknowledge the help given to me by all my colleagues in the Economics Department and, I should add, by members of the Manchester Statistical Society. I hope my frequent references to Lord Stamp reveal adequately my great appreciation of his pioneer work in this field and I wish to thank him for interpreting several points of method to me. The responsibility for the statistics and for their interpretation is mine alone.

H. C.

MANCHESTER
31 July 1938

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INTRODUCTION

By PROFESSOR J. JEWKES

THE contemporaneous clash of ideas concerning the moral and spiritual stature of the individual in society is a challenge, to all those who believe in liberty, to redefine their aims and rescrutinize the political and economic mechanism by which, in a democracy, freedom is to be realized. Democratic institutions in the twentieth century have been forced upon the defensive, and the instinctively liberal disposition of men warped and frustrated, not because political and economic forces inexorably drag communities towards totalitarian or collectivist forms, not because the common man is indifferent to the wider claims of human personality, but because we have failed to take those principles of freedom and toleration which we hold in common, regard them as a beginning and not as an end, and, in the light of them, remould our political and economic institutions when technical changes modify the character of collective life. There is, indeed, something poignant in our day in turning back eighty years to Mill's tract on Liberty. There is the doctrine. But where, since that day, is to be found the continuous thought and investigation upon the practical application of that doctrine in a world in which social and economic contours have changed almost out of recognition? It does not exist. With a few noble exceptions, the intellectuals, who might have carried the torch, present us either with the arid chanting of outworn phrases which the facts of society have rendered irrelevant or, at the other extreme, gash themselves with knives in their dilemma and declare that liberty is so seriously endangered that we must be prepared to forgo even what liberty remains to us. If the post-mortem of democracy has ever to be carried out, intellectual sloth

and anaemia will surely stand high in the causes of the fatality.

But if the challenge is accepted and a drastic reconsideration of the implications of democracy entered upon, if we seek to grapple for the broken cable and discover why those ideas which were steadily gaining wider acceptance in the nineteenth century should, in the twentieth, have been wholly discarded in many countries and have ceased to inspire and fortify men elsewhere, it would, I think, be most appropriate to begin with the part that private ownership of property should rightly play in creating for the common man the fullest possibilities for the development of his own personality. It is at just this point that democratic societies have been most persistently assailed. It is here that the entangling of political and economic factors is most complex, the dilemma of choice most perplexing, the controversies of liberally minded people most bitter and the planes of thought of rival theories farthest apart.

Some two years ago Professor Daniels and Mr. Campion, in an association which has now been broken by the deeply lamented death of the former, published a study of the distribution of property[1] which, couched though it was in the most cautious language, must have raised many perplexities in the minds of all those who are concerned for the progressive elimination of social friction and injustice. The authors showed, what in fact was well known, that there was an enormous inequality in Great Britain in the distribution of private property: they also revealed, what was less expected, that there had been no significant change in that distribution in the past twenty-five years. The conclusion appeared to shatter the tacit assumption of the vast majority of liberally minded people in this country, few of whom are prepared to defend the existing inequality in the distribution of wealth

[1] *The Distribution of National Capital*, by G. W. Daniels and H. Campion.

and most of whom believe that recent increases in taxation are steadily abolishing inequality and that this process should be allowed to continue at a speed limited only by the need for avoiding any retardation in the growth of national wealth and the necessity for readjusting property rights slowly enough to allow common consent to run along with legal enactment. Was the steady increase in the rates of taxation having no effect in redistributing wealth? Must we be prepared to tolerate, so long as we had a system of private enterprise, the apparent paradox that although men were equal politically, they must inevitably remain as unequal economically as they now are? Was there no answer to those who argued that liberty for the individual created by the machinery of democracy was a shadow whilst the substance, economic power, was vested in the hands of the few?

But the original essay of Professor Daniels and Mr. Campion provided, and was intended to provide, no final answer to any question of policy. It was merely the first step in a scheme for ascertaining, as far as quantitative methods made it possible, the facts concerning the rôle that property was playing in our society. It is for others to fill out the statistical framework, to draw the broad social conclusions, to devise policy in the light of the facts. Evolutionary society, indeed, may well depend for its continued existence upon its power to give to property rights a shape and content which make it impossible for some men to exercise unassailable and non-legitimate power over others. And here the original essay raised more queries than it answered. Even if the private property of individuals is still unequally distributed, is public property, the wealth held jointly by individuals through voluntary organizations or the State, growing so quickly that inequality in individual ownership is becoming largely irrelevant? Most measures of inequality are made before taxation has been deducted.

How far would the conclusions have to be adjusted when post-tax figures were examined? What changes are taking place in the forms in which property is held, and have these changes any bearing upon the rationale of private property as a means towards economic efficiency and personal independence? How far is it misleading to measure inequality by looking only to legal ownership? How far do the benefits of property diffuse themselves through the family and the immediate circle of each legal owner? What is the exact connexion between property and income, between owning and spending? Would a high degree of inequality in nominal ownership be tolerable if it could exist alongside a large measure of equality in income? If we accept increasing equality as an aim, which of the institutions of capitalism could most easily be remodelled to produce the end we have in mind?

Mr. Campion, in this second essay, has sought to measure the growth of British public property since the War and to give some indication of the changes in the proportions of public and private property. The reader will immediately be struck with the extraordinary elusiveness of the concepts which he has had to handle. In an organized community there can be no ownership in the absolute sense and no completely clear distinction between the forms of property. It may appear, at first sight, that there is a whole world of difference between the ownership of a battleship by the State and the ownership of a toothbrush by the humblest citizen. But the citizen only holds his property subject to the legal limits imposed upon him; his ownership gives him a bundle of rights which arise out of, and may be modified or swept away by, the State. And the State continues to own the battleship only so long as the citizens, including the humblest, do not express their will that it should be got rid of.

Mr. Campion has, necessarily, in his measurements,

confined himself to legal ownership, but it will be useful, in interpreting his results, to keep in mind a distinction which is steadily becoming more important: that between the ownership of property and the administration of it. A local authority, by public appeal, raises capital to build a new gasworks. The subscribers to the loan, private individuals for the most part, own the works. It would clearly involve double counting if we considered the works as the property of the authority and added to this the property, in the form of rights on the local authority, of the individuals. In one real sense, therefore, the property is private. But the local authority has the administrative rights and duties over the property; it must meet public utility obligations to consumers; it must handle the property in conformity with law. In another real sense the property is public. It is possible, therefore, for one strata of rights to overlay and substantially modify the influence of another. Inequality in distribution in a community in which the vast bulk of wealth is owned privately but administered publicly is a very different thing from inequality where ownership and administration are both private.

Despite the limitations of the available statistics, Mr. Campion's patient and thorough work now enables us to indicate certain vital orders of magnitude in our economic structure. The vast bulk of property in this country is still owned privately but, since 1911, public property has been growing in importance as against private. Thinking first of public property (i.e. the property of the central and local authorities and of charities) as that which these bodies hold against which no private individual has immediate legal rights of ownership—public property in its 'purest' form—this increased from 6–8 per cent. of total property in 1911–13 to 8–12 per cent. in 1932–4. This estimate excludes public property in the form of armaments and roads, for both of which it is impossible

to give an accurate estimate of value. If armaments and roads were together taken at a value of £1,000 millions, the percentage for 1932–4 would be raised to 11–17. This is not a spectacular change. Something rather more than one-tenth but less than one-seventh of the property of the country consists of 'pure' public property.

But when we turn to public property in the wider sense of property immediately and fully administered by public authority the proportions are more striking. Mr. Campion's own estimates, given in Chapter V, and the conditions attached to each should be carefully scrutinized. But it appears legitimate to cast his general results into this form. In 1932–4 this 'wider' public property amounted to some £2,890 millions. If to this were added £1,000 millions for roads and armaments and £150 millions for the capital of the three great public corporations, the British Broadcasting Corporation, the London Passenger Transport Board, and the Central Electricity Board, we get a total of £4,040 millions, which amounts to about one-sixth of the total national property.

Now the extent to which any piece of property is administered by a public authority varies greatly. The Post Office is owned and run by the State, the London Passenger Transport Board is owned by individuals but administered publicly. These are fairly clear-cut cases. But what of the road passenger transport industry where the ownership is vested in companies or local authorities, where the running of the services is the concern of the companies and authorities but where the State, through the Road Traffic Commissioners, imposes numerous and stringent conditions as to the operation which differ only from (say) the work of the British Broadcasting Corporation or the London Passenger Transport Board in degree and not in kind? In this sense the property of all those owning public transport vehicles is public property. One stage still farther back we find

agricultural property, where the State itself does not directly regulate conditions but by statute empowers the industry itself to establish organs for this purpose.

All forms of property in a community are charged, in some degree, with a public interest, but it is impossible to measure the changes which are taking place in the element of public interest infused into property. Mr. Campion's work, however, makes it clear that the State is changing the character of the property institution in a lesser degree by becoming itself a larger owner and in a major degree by attaching new conditions to property which nominally remains private.

The pervasive infiltration of State decisions into the economic order in this way merits the closest scrutiny since it goes on unseen and largely undiscussed, and it produces results which those who are responsible for State action may only dimly grasp and which the community might well reject if the issues could be properly formulated. When the State imposes upon the road transport industry regulation which retains for the railways a larger volume of traffic than they would otherwise have carried, that amounts to a revision of property rights to the detriment of the road transport industry. When the State empowers a board to establish a discriminating monopoly of the milk supply and so readjust returns between farmers that some suffer and some gain, that constitutes an encroachment upon the property rights of those who suffer. When the State permits the coal-mining industry to coerce its own minority and to control distributors, these two groups have their property rights whittled down. It is inevitable that State intervention should disturb these rights, and it may be that it does so on perfectly legitimate grounds. That point is not the issue here. But two comments are, I think, permissible. State intervention of the kind that has taken place in this country in the past decade, although it is usually

justified on the score that it creates greater security for the producer, does, in fact, introduce a new element of risk to those who own industrial property. Export trades can never rule out the possibility that further Protection will destroy their legitimate expectations; efficient firms in an industry cannot be sure that they will not be called upon to join some restriction scheme which forces them to help to carry the inefficient; new and growing industries must contemplate that if their development endangers the capital of some older industry, which is vocal in its distress, steps will probably be taken to safeguard that capital. The second point is this. There is, in much State intervention, a strong egalitarian sentiment to be observed. The State is anxious to help distressed industries whose fortunes compare unfavourably with those of others. In most of the restriction schemes which the State has sponsored, directly or indirectly, emphasis is laid upon the uniform price, upon the need for helping the poorer producers at the expense of the richer. This is true in the milk scheme, in the regulation of the iron and steel industry, in coal-mining, and in the numerous schemes where levies are imposed on active firms to keep other plants out of operation. But this form of equality is dangerous for this, if for no other reason, that it does nothing to lessen, and probably intensifies, the inequality of distribution among individuals. For when each industry, fortified within its own monopoly scheme, restricts its output to maintain its price, it is likely to create a dispossessed class of unemployed who inevitably take up their position at the extreme end of the distribution curve.

Mr. Campion's facts, indeed, open up many directions along which the social scientist might work so that we should know our own society better. What he has to say of the wealth of charities and other voluntary associations in this country suggests that they exercise an enormous

influence which should be examined.[1] What little information he has been able to obtain about post-tax distribution makes it clear that accredited social scientists should be permitted to work with the appropriate Government departments, who have much more information, so that the full story may be told. The significance of the enormous public funds which Government departments now have at their disposal through the growth of social security schemes has received some attention but deserves more.[2] And finally, the isolated fact that Manchester Corporation owns one-third of the land within its boundaries suggests that our almost complete ignorance of the manner in which land is distributed may be veiling from us social facts of a vital kind.

[1] A recent volume, *The Voluntary Citizen*, by Constance Braithwaite, is a path-breaking effort in this field.

[2] N. F. Hall, 'Treasury Control and Cheap Money'. *Transactions of the Manchester Statistical Society*, 1936–7.

I

INTRODUCTORY: DESCRIPTION OF METHODS USED

IT is our purpose in this book to study the changes which have taken place in the character of public and of private property in Great Britain since before the War, and to measure the effects of such changes upon the personal distribution of property and of incomes in this country. More particularly, our purpose is to inquire what kinds of property are under public ownership and whether the scope of public ownership has been increasing. An increase in public property, especially of schools, hospitals, educational and recreational facilities, and of State pensions and insurance funds, in so far as they are available for the benefit of all more or less equally, will have reduced the real inequality of the distribution of wealth between individuals. On the other hand, the economic and social development of Great Britain before the War left the bulk of property in private ownership and the distribution of this private property between individuals very unequal. It is hoped to be able to show the changes which have occurred in the distribution of private property since the War, and to indicate the extent to which the unequal distribution of property is a factor producing inequality in the personal distribution of incomes in Great Britain.

Figures for Great Britain have been used throughout. Northern and Southern Ireland have been excluded in order to facilitate comparison between pre-war and post-war years and to avoid the special statistical difficulties encountered in the preparation of estimates for Ireland due to the conventional nature of income-tax assessments before the War.[1] The estimates made for both public

[1] See Lord Stamp, *British Incomes and Property*, particularly Chapters IV and X.

and private property refer to the averages of the periods of three years—1911–13, 1926–8, and 1932–4. 1932–4 are the latest years for which complete details of income from different kinds of property are available at present. It has, however, been possible to estimate for 1936 the total value and the personal distribution of property in private hands.

The public and the private property of Great Britain have been taken to be the wealth of the inhabitants of Great Britain, including the value of their investments in other countries but excluding property in Great Britain held by foreigners. Thus a decrease in British overseas investments since before the War will have reduced the public and the private property of Great Britain and altered their distribution by kinds. Public and private property, as we have defined them below, consist only of those objects of wealth which are exchangeable between individuals or, if not exchangeable, have been created as a result of productive activity or the investment of capital.

Throughout this book we have distinguished not only between 'public property' and 'total private property', but also between 'total private property' and 'property in private hands'. Property in private hands and total private property are alternative totals—the latter more comprehensive than the former—of property belonging to private persons.

A. *Property in Private Hands* consists of property owned by persons individually and capable of absolute individual disposal. For this purpose, what constitutes property is considered from the point of view of the individual owners—as for example, furniture, household goods, houses, Government securities, stocks and shares, and other articles of wealth which the individual owners may dispose of as they wish. Property in private hands is the aggregate value of such individual possessions of all persons in Great Britain.

B. *Total Private Property* consists of property owned by persons individually or belonging to groups of persons corporately, even though not assignable among them in definite proportions. It thus includes the property of clubs, co-operative and friendly societies, livery companies, and non-charitable institutions not subject to individual rights of ownership. Total private property is the value of all property from which income accrues to private persons individually or corporately, that is, from land, houses, buildings, Government securities, trading undertakings in industry, transport, distribution, and finance. Property from which the income accrues to the State, local authorities, or charities is excluded from private property. On the other hand, Government securities and loans to local authorities are counted as wealth in our estimates both of property in private hands and of total private property even though they are not wealth to the State and local authorities, but debts.

C. *Public Property* consists of property held by the State, local authorities, and charities belonging to the community generally and not owned by private persons individually or by groups of private persons corporately. The State and local authorities possess land, houses, trading undertakings, and other property which, together with the investments of charities, make up the total of public property. Public property is the value of such property held by the State, local authorities, and charities, without deduction of the National Debt and loans made to local authorities. For this purpose, charities have been defined, as they are for income-tax purposes, as corporate bodies existing for the relief of poverty, for educational or religious purposes, or 'for the general benefit of the community'.

Since public control of the use of property extends more widely than public ownership, it is difficult to decide whether certain kinds of property, although

subject to close control by the State, should be counted as public property. The Central Electricity Board, the London Passenger Transport Board, and the British Broadcasting Corporation are recent examples of what have been called 'public corporations'. None of these undertakings are, however, publicly owned in the same sense as the Post Office or the Forestry Commission, although the British Broadcasting Corporation represents a near approach to public ownership and operation. The capital of the Central Electricity Board and the London Passenger Transport Board is privately subscribed and their directors are primarily responsible to their shareholders. In character these public corporations are not very different from the Port of London Authority, the Manchester Ship Canal, or, indeed, from the big railway companies. In view, therefore, of the difficulty of an adequate definition of public ownership, we have not included the property of any of the public corporations under public property. We have followed the same practice as the Inland Revenue in assessments for taxation of income of public and private undertakings. It may be objected, however, that our results may show an increase in public property since before the War which is too small, because the increase has been mainly in these semi-public undertakings which we have deliberately excluded from our estimates of public property. In Chapter V, therefore, we have indicated the effects on our results if a broader definition of public ownership had been taken.

No periodical census is taken of public and of private property and their values can only be estimated indirectly. In Chapter II the value of property in private hands has been estimated from the estate duty returns of property passing each year at death of individual owners. In Chapter III the value of total private property has been calculated from Inland Revenue returns of income de-

rived from different kinds of property in which individuals have their investments. The value of public property has been obtained in Chapter IV from figures of income of local authorities and charities, supplemented by provisional estimates of the capital value of property of the State. The detailed methods we have used to determine the values of property in private hands, total private property, and public property are so different that they are best considered separately.

Property in Private Hands: Estate Method.

The value of the property of each individual with more than £100 is ascertained once—at death—for estate duty purposes when property, whether yielding money income or not to its owner, is valued at the price it would sell in the open market at the time of the death of the owner. A proportion of the total property in private hands in the country passes with death each year, and these proportions need to be estimated for 1911–13, 1926–8, 1932–4, and 1936. The reciprocals of these proportions can then be used to multiply the value of estates passing in those years and so obtain estimates of the total value of all estates more than £100 in private hands.

The proportion of property in private hands passing with death each year varies with the proportion of the population who die each year. The probability of death differs according to age and sex; it is less at younger than at older ages; it is greater for males than for females at the same age. Thus the proportion of those who die will vary from one period to another with changes in the age and sex distribution of the population. A first approximation to the total value of estates over £100 is obtained by classifying estates according to the age and sex of their owners at death and then multiplying by the reciprocals of general mortality rates at each age-group for males and females. But this total will be too low, since the likelihood

of death at most ages is likely to be less for those possessing property than for people in general. The possession of say £500, £1,000, or more, usually implies a fairly high standard of living, and relative security from certain kinds of occupational risks and diseases. Thus a second and more satisfactory approximation is obtained by using the reciprocals of the mortality rates for the higher social classes at each age-group for males and females.

Gifts *inter vivos* are distributed before death and may escape inclusion in the value of the estates of the donors at death. Obviously when estate duties are high there is a strong temptation for people to distribute part of their estates before death. Such gifts will reduce the proportion of private property passing at death each year. Property passing in the older age-groups is decreased, but property passing in the younger age-groups is to some extent increased, and since the multipliers for the younger age-groups are higher than for the older age-groups, the average estate multiplier is increased. Thus the practice of gifts *inter vivos*, in so far as they are gifts between individuals, should not seriously affect the reliability of estimates of the total value of estates more than £100.

Estates of £100 or less are exempt from estate duty and estimates of their value need to be added to the figures obtained above. But even then the total value of individual estates will be understated. Both before and after the War, the estate duty returns excluded a proportion of settled property passing at death. Further, property, especially household goods, may be undervalued for estate duty purposes, especially where such property is transferred to other members of a family and not actually sold. Partial evasion, indeed, may be practised when property can be readily transferred without the formality of probate. We have been able in Chapter II to make reasonable estimates of the value of small estates of £100

or less and of property excluded from the estate duty returns on account of the exemption for settled property, but since there is obviously no information as to the extent of undervaluation or evasion in the estate duty returns, our estimates must be considered as giving only the minimum value of property in private hands.

Total Private Property: Income (Giffen) Method.

This method of estimating the value of total private property is to capitalize the actual income, accruing to private persons individually or corporately, yielded by different kinds of property at the average prospects of their continuance. No allowance is made for marketable potential wealth which is not at the time yielding income in the form of money or services. The different sources of income are ascertained from income-tax assessments and capitalized at appropriate numbers of years' purchase.

For real property approximately the same basis of valuation can be used as for estate duty purposes so that comparability to some extent is maintained with the Estate method above. The Inland Revenue publishes details of the number of years' purchase used in valuations for estate duty. Estimates of the capital employed in agriculture can be readily made from information collected from farmers for the Censuses of Agriculture. British, Dominion, and foreign Government securities and British railways are capable of close valuation since quotations for almost all these stocks are available on the stock exchange. The property of trading concerns in industry, transport, distribution, and finance could be similarly valued if every firm was capitalized as a public company and its stocks and shares were openly quoted on the stock exchange; the stock exchange valuations of the stocks and shares of all companies could be totalled. In fact, however, the stocks and shares of only relatively

few companies, though of course the largest, are quoted on the stock exchange. The method adopted, therefore, for trading concerns is first to correct the actual profits assessed for income-tax purposes for estimated evasion and to deduct that share of the profits of small firms and private businesses which ought properly to be treated as the salaries of the owners. A further deduction is then made for profits placed to reserves and not distributed as interest or dividends. This amended total is multiplied by the reciprocals of the average yields on securities quoted on the stock exchange. Complete reliance cannot, however, be placed on the use of stock exchange quotations. Owing to the presence of secret reserves the stocks and shares of a company may be undervalued and circumstances can readily be imagined where the reverse may be true. Moreover, the yields of securities quoted on the stock exchange may be too low for our purpose since the negotiability of such stocks and shares increases their attractiveness to investors and may therefore decrease their yield relatively to those of unquoted securities. For these reasons the valuation of the income of trading concerns on the basis of stock exchange yields can only claim to be approximate.

To the total obtained by valuing income assessed for taxation, an addition must be made for the capital value of income not liable to assessment and for property not considered for taxation purposes to yield income. With the lowering of the income-tax limit the proportion of total income not liable to assessment is now much less than it was. No assessments for income-tax purposes are made on furniture, motor-cars, and household goods. An addition has therefore to be made for household goods of all persons irrespective of the size of their incomes, and for the stock-in-trade and property of small retail tradesmen and other persons with incomes below the assessment limit.

Public Property.

The property of the State, local authorities, and charities is never the possession specifically of particular individuals, never becomes liable to estate duty at the death of any individual, and is therefore never valued for estate duty purposes. The Estate method cannot be used for public property. Part of the income, however, accruing from public property, such as income from houses, Government securities, and municipal trading undertakings, is assessed for income-tax and can be capitalized in the same way as for private property under the Income method. For other kinds of public property which do not yield money income, such as hospitals, libraries, and schools, it is difficult to decide how they should be valued. Neither the original nor the replacement cost of such property can be taken as an adequate basis of valuation. All that can be done is to place a minimum value on public property. The difficulties in valuing roads and armaments are indeed so great, and any estimates of their value we might make so impossible to justify on a satisfactory basis, that we have purposely omitted roads and armaments from our estimates of public property.

To avoid any possible misunderstanding it should be pointed out that the addition of the estimates of the value of public property and of private property is greater than the national capital of Great Britain. The value of national capital is the aggregate value of public and private property, less the National Debt and the debts of local authorities. The securities represented by the National Debt are wealth to individual holders and are therefore included in private property, but they are not wealth from the point of view of the State. Otherwise the larger the National Debt, the larger would be the capital of the country. The National Debt has been increased considerably since before the War, and since

the National Debt and loans to local authorities, whether taken at their nominal values or at the market values of the securities represented by these debts, are greater than the total value of public property, the value of private property is now greater than the value of national capital. The possibility should not, however, be ignored that an increase in the National Debt, and therefore of Government securities, may have depressed to some extent the value of other kinds of property. Lord Stamp has recently, however, expressed the opinion that some such depression of values may occur, but even if it could be measured, is not likely to be so serious as to affect comparability between pre-War and post-War estimates.[1] If the existence of a large National Debt has the effect of depressing seriously the value of other kinds of property, it would mean that a mere arithmetical deduction of the National Debt, either at its book value or at the market value of the securities represented by the Debt, would not give the value of public and private property if the National Debt did not in fact exist.[2]

It is not, however, our purpose in this book to attempt to measure changes in the value or the real growth in national capital. We are concerned primarily with an analysis of the kinds of property in public and private ownership before and after the War. Methods of valuation and the deficiencies in the estate duty returns and in the figures of income assessed for taxation are of importance only in so far as they are likely to give misleading results of the proportional amounts of property in

[1] Lord Stamp, *The National Capital and Other Statistical Studies*, pp. 9–14.

[2] The treatment of the National Debt in estimates of National Capital has long been a matter of dispute. For a recent expression of opinion in contrast to that of Lord Stamp's, see Professor L. Einaudi, *L'inclusion de la dette publique dans les évaluations de la richesse nationale*, 22nd Conference of the Institut International de Statistique, London, 1934.

public and in private ownership, and of the different kinds of property in the possession of individuals and of public bodies. Discussion of the estimates we make in the following Chapters II, III, and IV is properly postponed until Chapters V and VI. In the meantime, however, it should be remembered that our estimates of public and private property before and after the War, since they are expressed in terms of money, are not comparable because of changes in prices and capital values.

II

PROPERTY IN PRIVATE HANDS: ESTATE METHOD

DETAILS of the age and sex of persons in England and Wales leaving estates of more than £100 at death are given in the Annual Reports of the Inland Revenue for 1911–13, 1926–8, and 1936. It has been possible (using the method described in detail in 'The Distribution of National Capital')[1] to estimate the total value of property in private hands in those years. The method is to multiply the value of the estates passing at death in each age- and sex-group by the reciprocals of the appropriate general or social class mortality rates. Much of the work needed in the application of this method has already been published, and the detailed calculations are not reproduced here.

The estimates we made in 'The Distribution of National Capital' related, however, to only part of the property belonging to persons in England and Wales in 1911–13 and 1926–8. Both before and after the War only part of the settled property passing at death has been subject to estate duty. Thus, following previous calculations by Sir Bernard Mallett and Mr. H. C. Strutt, we have estimated that 15–20 per cent. of the value of property passing at death was excluded from the estate duty returns in 1911–13 and 4–7 per cent. in 1926–8.[2] The figures of the value of property in private hands obtained by multiplying the value of estates—as given by the estate duty returns—by the reciprocals of appropriate mortality

[1] G. W. Daniels and H. Campion, 'The Distribution of National Capital', *Transactions of the Manchester Statistical Society*, 1935–6, and reprinted by the Manchester University Press.

[2] Ibid., pp. 38–9, and Sir Alfred W. Soward and W. E. Willan, *Taxation of Capital*, pp. 256–7.

rates need therefore to be increased to account for the exclusion of settled property. Further, while for the purposes of the study of distribution of property between individuals it was reasonable to use only estimates of the amount of property held by adult persons over 25, we use here figures of property owned by persons of all ages.

The essential information needed to calculate the value of property in private hands in England and Wales was not collected for 1931–5, but has recently been published for 1936. It has therefore been possible, following the same method as for 1911–13 and 1926–8, to find the value of property in private hands for 1936. 1932–4 are, however, at present the latest years for which estimates of the value of property can be made, using the Income method in Chapter III. We have, therefore, prepared here, for comparison with these later, provisional estimates for 1932–4 by the Estate method on the assumption that the age and sex distribution of persons leaving estates more than £100 in 1932–4 was the same as for 1926–8 or 1936, after adjustment for differences in the deaths occurring in each age- and sex-group between 1926–8 or 1936 and 1932–4. The estimates for 1932–4 cannot, however, be regarded as being so reliable as those we have made for other years for which complete information is available.

No details of the ages of persons in Scotland leaving estates more than £100 have ever been published, and of necessity the estimates of the value of property in Scotland made in this chapter must be subject to considerable error. The effect of such error does not, however, impair seriously the estimates of the total value of property for Great Britain as a whole, since in 1911–13 only 12½ per cent. of the value of the estates over £100 passing at death in Great Britain belonged to persons in Scotland and in post-War years the percentage was less.

A. *Property in Private Hands in England and Wales in 1911–13 and 1926–8*

In 1911–13 the value of property in private hands in England and Wales has been estimated in this section at not less than £7,820 millions, and possibly as high as £9,235 millions. In 1926–8 the value was not less than £15,185 millions, and may have been as high as £17,095 millions. No allowance is, however, made in these estimates for evasion, undervaluation, or exemption from estate duty except on account of settled property.

The method of preparing these estimates has been first to classify persons leaving estates more than £100 into age-groups of ten years and further, since the mortality rates for females at each age are less than for males, each age-group has been divided according to sex. For 1911–13, when details of the number of estates left by males and females separately were not collected by the Inland Revenue, it has been assumed that one-fifth or one-third of the value of estates passing in those years belonged to females. The lower proportion of one-fifth is based on information given by Sir Bernard Mallett and Mr. H. C. Strutt[1] and the higher proportion on the percentage of the total value of estates more than £100 each left by females in the immediate post-War years.

The reciprocals of the general mortality rates for the same age-groups for each year have then been found by comparing the mid-year estimates of the Registrar-General of the age distribution of the population with the number of deaths in each age- and sex-group in the calendar years. These reciprocals have then been used as multipliers for the value of estates in each age-group for males and females. On the basis of general mortality rates, the total value of estates of persons of all ages in Eng-

[1] Sir Bernard Mallett and Mr. H. C. Strutt, *Journal of the Royal Statistical Society*, July 1915, p. 596.

land and Wales has been thus calculated at £6,000–6,120 millions in 1911–13 and at £13,835 millions in 1926–8.

These totals are, however, likely to be too low, since no allowance was made for the fact that the mortality rates for those possessing estates more than £100 are likely to be less than the mortality rates for the total population at each age-group. Information published in the Decennial Supplements on Occupational Mortality to the Censuses of Population of 1911 and 1921 shows that mortality rates for males of the higher social classes are less at each age than the mortality rates for the total population, but the differences decrease in the higher age-groups. What proportions of those possessing estates are drawn from the higher social classes is not known. An attempt was made to analyse the occupations of persons leaving more than £1,000, using the published reports of wills proved. The results obtained provided some justification for the assumption that the majority of the estates, at least of the largest, were owned by persons of the higher social classes.

The Registrar-General classifies occupied males into five social classes. Social Class I includes those in civilian occupations associated with the upper and middle classes —namely professional occupations. Skilled operatives are grouped in Social Class III, and those in managerial posts in industry, transport, distribution, and finance and others engaged in professional or executive work in Social Class II, intermediate between Social Class I and Social Class III. For our purpose we have thought it reasonable to assume, for males with estates more than £100, mortality rates somewhat lower than for Social Class III and somewhat higher than for Social Class I and II. Thus, for 1926–8 the average mortality rates for males with estates have been taken as the same as general mortality rates for males 85 and over, 0–2 per cent. less for ages 75–85, 1–3 per cent. less for ages 65–75, 1–4 per cent. less for

ages 55–65, 6–8 per cent. less for ages 45–55, 12–15 per cent. less for ages 35–45, 12–16 per cent. less for ages 25–35, and 15–20 per cent. less for ages 15–25. Corresponding differential mortality rates have been assumed for males for 1911–13. It should be noted that since about three-quarters of the total property of the country is owned by persons 45 and over, and the differences between the general and social class mortality rates are least in age-groups over 45, the use of social class mortality rates instead of general mortality rates does not raise very considerably the estimates made above on the basis of general mortality rates.

No details have yet been published of mortality of females according to social classes, partly because of the difficulty of devising satisfactory methods of measuring occupational mortality among females. The occupations of females are imperfectly stated in the death registers, since females may have left their occupations on marriage perhaps forty years before death. But even if precise statements of occupations could be obtained in all cases in the death registers, it may be doubted whether classification of married females, according to their occupations followed before marriage, is likely to be a satisfactory basis for measuring occupational or social class mortality. It is, in fact, more reasonable to expect the mortality rates of wives to vary according to the social classes of their husbands, and it would be possible to check this by tabulating the mortality of married females according to the occupations of their husbands. We have assumed the reductions from general mortality rates of females possessing estates to be somewhat larger than for males in 1911–13 and 1926–8, but to taper similarly according to age-groups.

On the basis of social class mortality rates, the total value of estates of males and females in England and Wales is thus estimated at £6,450–6,635 millions in 1911–13 and £14,845 millions in 1926–8.

In making these estimates every estate ought ideally to be valued without any additions or deductions due to the death of the owner of the estate. For example, £1,000 may be paid by an insurance company on the death of a person aged 25. Yet such a person never had the £1,000 in his possession, and therefore to multiply £1,000 by the reciprocal of the mortality rate for that age gives too high an estimate of the property in the possession of persons aged 25. Again, no deductions ought to be made for funeral expenses or for gifts for national and charitable purposes distributed at death. Debts to other persons are, of course, rightly excluded.

No correction of the estate duty figures has been possible for payments of insurance policies regarding such payments according to types of policies and ages of persons. On the other hand, no allowance has been made for annuities and pensions which cease at the death of the recipient. Funeral and other expenses at death and gifts for national and charitable purposes—about £3 millions a year in 1926–8—have been added to the capital values of estates passing in each year.

No other allowances have been made in the estimates for undervaluation, for evasion, or for property exempt from estate duty. The most important omission from the figures relates to settled property. Both before and after the War estate duty has not been payable on settled property passing on the death of widows or widowers when duty had been paid on the death of their deceased spouses. Sir Bernard Mallett and Mr. Strutt estimated the value of such settled property passing at death, excluded from the estate duty returns, at £11–14 millions for England and Wales for 1911–13. In 1926–8 it is estimated to have been between £20 millions and £30 millions. Further, in 1911–13 if estate duty had once been paid on settled property, this duty was not payable a second time the property passed. Thus a further

£40–45 millions of settled property passing at death was exempt from estate duty in 1911–13 on this account. This exemption was abolished in May 1914, and since then settled property has been liable to estate duty each time the property passed except as mentioned above. The total value of settled property passing at death excluded from the estate duty returns was thus £51–59 millions in 1911 and £20–30 millions in 1926–8.

Details of the age and sex of persons leaving exempted settled property are not available. Such property is, however, likely to be left by older people with large estates, and especially by females. For 1924 and 1925 the proportion of settled property paying estate duty to total passing at death rose from 4 per cent. by value for estates less than £1,000 left by males to 9 per cent. for estates £25,000–100,000 and to 20 per cent. for estates over £100,000; for females the percentages were 11 for estates less than £1,000, 30 for £25,000–100,000, and 31 for estates over £100,000. Forty-eight per cent. of the value of settled property paying duty in 1924 and 1925 belonged to females. If the experience of 1924 and 1925 can be considered at all typical of 1911–13, when settled property was largely exempt from payment of estate duty, the figures suggest that the average multiplier for settled property might be perhaps higher than for other property passing at death, and the multipliers at each age-group are higher for females than for males, even though the average age of persons leaving settled property is likely to be higher than for all persons leaving estates more than £100. Additions have thus been made of £1,350–1,750 millions in 1911–13, and £750–1,200 millions in 1926–8, on account of the exclusion of settled property from the estate duty returns.

The amount of property owned by persons aged 25 and over possessing £100 or less was estimated in 'The Distribution of National Capital' at £400–700 millions

in 1911–13 and at £500–900 millions in 1926–8. These totals need to be increased here for property belonging to persons under 25. The number of occupied persons 16–25 was $4\frac{3}{4}$ millions in 1911–13 and $4\frac{3}{4}$–5 millions in 1926–8, most of whom may be assumed to have some property. For those over 25 the totals above give an average of £25–45 per person in 1911–13 and £30–50 per person in 1926–8, and in view of the general tendency for the amount of property held to increase with age we may be justified in using lower averages for persons under 25. The amount of property owned by persons of all ages possessing £100 or less has been taken at £470–850 millions in 1911–13 and £600–1,050 millions in 1926–8.

The total value of property in private hands in England and Wales was thus £7,820–8,720 millions in 1911–13 and £15,185–16,085 millions in 1926–8, using general mortality rates, and £8,270–9,235 millions in 1911–13 and £16,195–17,095 millions in 1926–8, using social class mortality rates. It may be repeated that no allowance is made in these estimates for evasion, under-valuation, and exemptions from estate duty, except on account of settled property.

B. *Property in Private Hands in England and Wales in 1932–4 and 1936*

Details of the ages and sex of persons in England and Wales leaving estates of more than £100 at death have been published for 1936—the first year since 1930 for which such information has been collected. It has therefore been possible to estimate the value of property in private hands in 1936, using the same method as in the previous section for 1911–13 and 1926–8. The objections to using the figures for one year only are less serious in estimating the total value of property in private hands than in estimating its distribution among persons in each capital group.

The total value of estates over £100 of persons of all ages in England and Wales was approximately £15,740 millions in 1936 on the basis of general mortality rates and £16,520–17,020 millions using social class mortality rates. The ages of owners of £11 millions out of the total of £528 millions of estates passing in 1936 were not published, and we have assumed that this total was distributed according to age in the same way as for estates of which the ages of owners were declared. Further, we have assumed that the reductions from general mortality rates of males and females possessing estates over £100 were slightly less than in 1926–8, in view of the apparent tendency for the differences in the mortality rates of different classes to decrease.

For comparison with the estimates to be made in Chapter III provisional estimates have been made of property in private hands in 1932–4. For this purpose we first assumed the distribution by age and sex of persons leaving estates in 1932–4 to be the same as 1926–8, and then the same as in 1936. The two sets of estimates we obtained showed considerable discrepancy. This discrepancy, however, largely disappeared when the differences in the number of deaths of males and females occurring in each age-group in 1932–4 compared with 1926–8 and 1936 were taken into account. The average age at death of persons in England and Wales has been increasing and the proportion of the total number of deaths occurring in the older age-groups was greater in 1932–4 than in 1926–8, and was less in 1932–4 than in 1936. The method adopted in compiling our estimates for 1932–4 has therefore been to assume the distribution of the value of estates passing at death to be the same as for 1926–8 or 1936, corrected for differences in the total deaths occurring in each age-group between 1926–8 or 1936 and 1932–4, and then to multiply as before by the reciprocals of general and social class mortality rates in 1932–4. The value of

all estates over £100 has thus been calculated at £14,280–14,300 millions in 1932–4, using general mortality rates, and at the higher figures of £14,990–15,600 millions on the basis of social class mortality rates.

These totals for 1932–4 and for 1936 need to be increased on account of settled property exempt from duty, and property held by persons with £100 or less. The value of settlements on which stamp duties are levied has shown an increase during the last few years, but this increase is understood to have been due in part to a desire to avoid payment of income-tax rather than to avoid estate duties. The value of settled property excluded from the estate duty returns has therefore been taken as proportionally the same as for 1926–8—£20–35 millions in 1932–4 and £20–40 millions in 1936. The value of property to be added on account of exemptions granted on the passing of settled property is estimated at £750–1,250 millions in 1932–4 and £750–1,300 millions in 1936.

Out of 31¾ million persons 15 and over in 1936, approximately 6¼–6¾ millions possessed estates more than £100, leaving 25–25½ millions each with £100 or less. This 25–25½ millions include 6½ million persons 15–25, and at least 5¾ million married women, many of whom may have little or no property in their own name. The number of people with small estates was larger in both 1932–4 and in 1936 than in 1926–8, and the value of property held by persons with £100 or less has been taken at £500–950 millions in 1932–4 and at £500–1,000 million in 1936.

The total value of property in private hands in England and Wales was thus £15,530–16,500 millions in 1932–4 and £16,990–18,040 millions in 1936, on the basis of general mortality rates, and £16,240–17,800 millions in 1932–4 and £17,770–19,320 millions in 1936 using social class mortality rates.

c. *Property in Private Hands in Scotland*

The average number of persons in Scotland leaving estates more than £100 at death was 8,121 in 1911–13 and 13,082 in 1926–8; the number increased to 14,795 in 1932–4, and 15,931 in 1936. The value of estates passing was £33 millions in 1911–13 compared with £60 millions in 1926–8, £58 millions in 1932–4, and £64 millions in 1936. Although details of the number and value of individual estates by capital groups are published, no information is available for Scotland of the ages of persons leaving estates.

Tests made by comparing the ages of the total population and the ages of persons at death in Scotland and in England and Wales, and also by comparing the characteristics of the frequency distributions of the number and value of estates passing at death by capital groups in Scotland and in England and Wales, suggest that the age distribution of persons leaving estates more than £100 in Scotland is not likely to differ greatly from the age distribution for England and Wales. Estimates for the value of property in Scotland have been compiled, assuming the proportional distribution of estates in Scotland to be the same between different age-groups as for England and Wales after correction for differences in the number of males and females dying at each age in each country.

The expectancy of life at each age in Scotland is, however, generally lower than in England and Wales, both for males and for females, and thus the appropriate multipliers for the assumed distributions of the value of the estates by age and sex will be less than those used for England and Wales. Thus, for example, for males aged 45–55 the mortality rate in 1936 was 12·5 per 1,000 in Scotland and 10·8 per 1,000 in England and Wales. To some extent these differences in death rates are due to differences in the occupations and standards of living of persons in the two

countries, and the mortality rates for persons in the same occupations or social classes are not necessarily very different in Scotland and in England and Wales. Details of death rates for males in selected occupations have been published for 1930–2.[1] They show that the mortality rates for the higher social classes are generally less than the mortality rates for the total population, but the differences appear to be somewhat less than for corresponding age-groups in England and Wales. No information regarding mortality rates for different occupations had been published for Scotland until 1930–2, since the Decennial Supplement for 1891–1900, and we have therefore been forced to assume that the relation between general and social class mortality rates for persons possessing estates more than £100 was approximately the same in Scotland as in England and Wales in 1911–13 and 1926–8.

After consideration of the results obtained by various methods, the value of estates over £100 in Scotland has been taken at £800–870 millions in 1911–13, £1,670 millions in 1926–8, £1,610–1,625 millions in 1932–4, and £1,670 millions in 1936, using general mortality rates. On the basis of social class mortality rates the corresponding totals are £860–950 millions in 1911–13, £1,765–1,825 millions in 1926–8, £1,700–1,800 millions in 1932–4, and £1,750–1,800 millions in 1936. Additions must be made to these figures on account of exemptions granted on the passing of settled property and also for estates £100 or less. Following the methods adopted for England and Wales, the estimated value of property to be added on account of settled property is £120–190 millions in 1911–13, £65–120 millions in 1926–8, £65–130 millions in 1932–4 and 1936. The value of property belonging to persons with estates £100 or less in Scotland is estimated at £60–125 millions in

[1] Supplement to the *Seventy-eighth Annual Report of the Registrar-General for Scotland*, part II, pp. xliv et seq. and pp. 174–92.

1911–13, £75–140 millions in 1926–8, and £80–150 millions in 1932–4 and in 1936. It will be realized that the information available for the preparation of these estimates is necessarily inadequate and the range of error in the figures is therefore considerable.

The total value of property in private hands in Scotland was thus £980–1,185 millions in 1911–13, £1,810–1,930 millions in 1926–8, £1,755–1,905 millions in 1932–4, and £1,815–1,950 millions in 1936 on the basis of general mortality rates. The corresponding totals, using social class mortality rates, are for 1911–13, £1,040–1,265 millions, for 1926–8, £1,905–2,085 millions, for 1932–4, £1,845–2,080 millions, and for 1936, £1,895–2,080 millions.

D. *Property in Private Hands in Great Britain*

We are now able to arrive at final estimates of the value of property in private hands in Great Britain before and after the War, using the Estate method. These estimates which are given in Table 1 relate only to property owned by private persons individually and capable of absolute individual disposal; they do not represent the value of total private property. Owing to possible undervaluation, evasion, and exemptions from payment of estate duties except on account of settled property, the figures in Table 1 must be taken as minimum values of the property in private hands before and after the War.

TABLE 1. *Estimated Value of Property in Private Hands in Great Britain*

(£ millions)

Years	*Using general mortality rates*	*Using social class mortality rates*
1911–13	8,800–9,905	9,310–10,500
1926–8	16,995–18,015	18,100–19,180
1932–4	17,285–18,405	18,085–19,880
1936	18,805–19,990	19,665–21,400

III

TOTAL PRIVATE PROPERTY: INCOME (GIFFEN) METHOD

IN this chapter our task is to find the value of total private property by the Income or Giffen method.[1] This method is to ascertain the income accruing to private persons individually or corporately from each kind of property in 1911–13, 1926–8, and 1932–4 and to multiply such income by appropriate numbers of years' purchase (except when direct valuation is possible, wholly or in part, as for farmers' capital, railways, and Government securities).

Income from property is assessed by the Inland Revenue under four schedules, A, B, C, and D. This classification is not, however, detailed enough for our purpose and has been extended to distinguish between income from six kinds of property: (1) real property (land, houses, and buildings), (2) farmers' capital, (3) securities of British, Dominion, and foreign Governments, (4) Dominion and foreign securities and possessions (other than Government securities), (5) railways in Great Britain, and (6) capital of persons and companies engaged in industry, transport (other than railways), distribution, and finance, excluding real property already assessed under (1) and securities under (3) or (4). This classification has been retained throughout this chapter.

Income from real property is taxed under Schedule A and income from farming under Schedule B. Dividends from securities of British, Dominion, and foreign Governments, if taxed at the source, are assessed under Schedule

[1] For previous use of this method, see Sir Robert Giffen, *Journal of the Royal Statistical Society*, 1878, and Lord Stamp, *British Incomes and Property*, Chapter XI, and *Journal of the Royal Statistical Society*, 1931.

C and dividends from British Government securities, when paid in full, under Schedule D. Income from (4), (5), and (6) are all taxed under Schedule D. Thus, the income of a public company derived from the possession of land and buildings is assessed under Schedule A, the dividends on its reserves invested in Government securities, if taxed at source, under Schedule C, and the remainder of its profits under Schedule D.

The published Inland Revenue figures of income arising under each of these six headings cannot be used for our purpose without making a number of adjustments to them. The first of these is for income assessed but payable to persons living outside Great Britain, such as interest on British Government securities held in Ireland or foreign countries, and dividends on Dominion and foreign securities assessed under Schedule C and D and payable to owners resident abroad. A second adjustment is for income accruing to persons, whose total incomes fall below the exemption limit and are not therefore assessed. In this respect there is an important difference between the procedure under Schedule A and under Schedules C and D. Real property is assessed irrespective of whether the income of the owner is above or below the current exemption limit, but in contrast, under Schedules C and D, incomes of persons below the current exemption limits are assessed only when reviewed by the Inland Revenue. Thirdly, allowance must be made for income exempted from or evading assessment. Interest on National Saving Certificates and, up to 1932, trading profits of co-operative societies were thus exempted. Some evasion is perhaps likely to occur in assessments of profits under Schedule D, but obviously no official information exists as to its amount. On the other hand, omission or over-assessment of small incomes is possible. Over-assessment may occur when the person assessed is not liable to payment of tax even at the over-assessment

figure because of personal and other allowances. Fourthly, the profits of private firms, partnerships, and persons working on their own account include payments for work done by persons which would be treated in the case of public companies as salaries or wages and not as profits. Estimates have, therefore, been prepared on the assumption that one-sixth to one-quarter of the profits of such small businesses may be treated as interest on capital.

The most important deductions to be made for our purpose from the published figures of income assessed under Schedules A, B, C, D are for income accruing to the State, local authorities, and charities, and not to private persons individually or corporately. Income due to the State is, however, in general not assessed except in the case of real property owned but not occupied by the Crown or a department of the Crown. Assessments on local authorities are made in respect of two sources of income: (*a*) income from trading and non-trading undertakings, and (*b*) interest payable to private persons on loans and mortgages secured on rates or on municipal property. In assessing (*b*) a set-off is allowed for almost all payments under (*a*), and the total assessments on local authorities thus represent, to a very large extent, income distributed to private persons individually or corporately as interest on loans and mortgages.[1] Income due to charities is usually not assessed, except under Schedule A, where it can be shown before assessment that the income is to be used for charitable purposes. When income of charities has, however, been assessed, the Inland Revenue admits claims for exemptions to the full amount. Thus the deductions to be made in this chapter for income

[1] See Lord Stamp, *British Incomes and Property*, p. 294, and Reports of Institute of Municipal Treasurers and Accountants, especially Rules agreed between the Board of Inland Revenue and the Institute for the determination of the liability of local authorities to income-tax (August 1933).

accruing to State, local authorities, and charities are, in effect, only for that part of the income of charities not exempted from assessment.

Assessments made under Schedule B are conventional and cannot be taken as being equal to the money income derived from the occupation of land. We have, therefore, used the information collected from farmers in England and Wales for the Censuses of Agriculture to arrive at satisfactory estimates of farmers' capital. The capital values of the remaining five classes of property distinguished above have been calculated by multiplying the income of each class, as adjusted above, by appropriate numbers of years' purchase. For real property we have been able to make use of the information published by the Inland Revenue of the numbers of years' purchase for land and houses valued for estate duty purposes. For other kinds of property, the income has been multiplied by the reciprocal of the average yield for the periods, calculated from stock exchange quotations, on capital invested in such property.

A. *Real Property*

Returns have to be made to the Inland Revenue of the gross income obtained from the land, houses, and buildings of all private individuals, corporate bodies, and companies. They have to be made irrespective of whether the owners are ultimately liable to pay income-tax or not, and, in the case of companies, whether they are making profits or losses. Land, houses, and buildings owned by persons resident in Great Britain or by British companies but situated outside Great Britain are excluded. Since many people own the houses they live in or use themselves the land they own, only approximate values can be given to the income such houses and land yield to their owners. In such cases the gross income is taken as the same as it would be if the property was in fact let

for rent. It seems likely in such cases—especially for houses—that the annual value may be understated.

Real property, except newly erected houses and buildings, is generally assessed only periodically. In intervening years claims are admitted in respect of reductions in rents, but additional assessments are not made in case of increased rents except in so far as the increases in rents are occasioned by structural alterations which come to the notice of the Inland Revenue. The assessed value may therefore differ from the true gross income from real property except in years when reassessments take place. Reassessments were made in 1910, 1923, 1926 (Metropolis of London only), 1931, and 1936, and the result was to increase each time the value of houses and buildings and also, to a less extent, alter the value of land. We have therefore attempted to correct the published figures for 1911–13, 1926–8, and 1932–4 by interpolating the differences between the reassessment years. For example, after allowance for assessments on new buildings, the gross income from real property was increased by about £40 millions between 1930 and 1931, due to reassessments. The real increase was, however, less than this amount, as shown by the claims for over-assessments in the following years. We have assumed the rise in rentals to be continuous between the reassessment years and have added to the published figures proportionate amounts year by year of the differences revealed by reassessments. This method may be criticized. It may be suggested that account ought to be taken of the rate of change in urban rents as shown by the Ministry of Labour cost of living index number. All that can be claimed for the corrections made is that the revised estimates are probably closer to the actual gross income from real property in 1911–13, 1926–8, and 1932–4 than the figures published in the Inland Revenue reports.

Net Income from Real Property.

The total net income from real property is given in Table 2. The figures are of gross income, less deduction of allowances for repairs and for 'other reductions and discharges' except allowances for building society payments and for trading losses. These 'other reductions and discharges' include exemptions for empty property, tithes, and rates on tithe rent-charges, land-tax, cost of maintenance of sea walls and of drainage, ecclesiastical payments and repairs to churches, local rates borne by owners in Scotland, lost rent, and, of course, over-assessments. The allowances for repairs are fixed by statutory provision and may therefore be determined in part by political considerations. They may be greater or less than the value of repairs done in individual years. The Inland Revenue, however, admits claims for extra allowances for repairs where it can be shown the actual cost of repairs to property exceeded the statutory allowances. In the absence of definite information to the contrary, it would seem that the total allowances for repairs as a whole are not likely to be very different from the actual value of total repairs done on real property, when taken for periods of three years.

'Other reductions and discharges' from assessments include allowances for building society payments and for trading losses. Persons and companies making trading losses are permitted, if necessary, to claim discharges in whole or in part from assessment of their real property. Further, by agreement between the Inland Revenue and building societies,[1] the gross income of building societies is taxed as a whole and interest on mortgages made by building societies is therefore allowed as a deduction from the assessment. Such deductions have increased since the War, due to the growth of building societies

[1] Arrangements with respect to income-tax in the case of building societies (Circulars of the Building Societies Association).

and particularly since 1930 due to the increase in the building of private houses, but they are made for administrative reasons only and cannot be taken as true reductions to be made from the gross annual value of real property. Since, for our present purpose, the net annual value of all property both occupied and unoccupied is needed, the allowances for building society payments and for trading losses have not been deducted here from gross income.

The figures in Table 2 exclude income from real property owned and also occupied by quarries, mines, ironworks, gasworks, waterworks, canals, and railways, which is for administrative reasons treated as part of the general profits of these undertakings under Schedule D. With this exception Table 2 shows the total net income from private real property in Great Britain. Deductions have been made for assessed income accruing to charities. The net income from real property—in so far as such property is assessed—accruing to charities was £8¾ millions in 1911–13, £16¾ millions in 1926–8, and £16½ millions in 1932–4.

TABLE 2. *Net Income from Real Property in Great Britain*

(Means of estimates only are given)

(£ millions)

Years	*Total*	*Land*	*Houses and Buildings*
1911–13	202	31½	170½
1926–8	288	32½	255½
1932–4	352½	28½	324

The division of the figures given above showing separately the net income from land and from houses and buildings was possible only approximately on the basis of claims for allowances for repairs.[1] It must always be

[1] No figures are available of the income from houses and the income from other buildings separately. For 1912–13 the Inland Revenue

a matter of opinion how far such a division can properly be made, but in administrative practice the difficulty is partly avoided by including with houses and buildings the land which such houses and buildings adjoin or on which they are built, except in the case of houses where the area of such land exceeds one acre.[1] Figures of the gross income and allowances for repairs are available for land and for houses and buildings separately. Allowances for empty property are stated in the Inland Revenue reports at their net values after claims already granted for repairs; they were £6 millions in 1911–13 and are estimated at £3¾–4¼ millions in 1926–8 and approximately £5 millions in 1932–4. These claims for allowances for empty property are made almost wholly for unoccupied houses and buildings. 'Other reductions and discharges', except for empty property, up to 1924, are stated only in the Inland Revenue reports in the aggregate, but they have been, as accurately as possible, divided between land and houses and buildings in compiling Table 2. They amounted to £9¼ millions in 1911–13, £37–37½ millions in 1926–8, and £58 millions in 1932–4.

The value of some of the items included in 'other reductions and discharges' can be readily ascertained and can be allocated fairly safely between land and houses and buildings. Rates on tithe rent-charges—about £400,000 before the War and £600,000 since the War—have been

has estimated the taxable income from real property owned and occupied by companies for business purposes to be £20 millions out of £174 millions taxed under Schedule A, and for 1922–3, £22½ millions out of £192 millions (Appendix XI to the *Report of the Committee on National Debt and Taxation*, 1927).

[1] Land includes farm lands and buildings, tithe rent-charges under the Tithe Commutation Act, farm-houses occupied by tenant farmers or their farm servants, lands occupied for athletic and similar purposes, woodlands, certain sporting rights, and any pleasure grounds held with a house in excess of 1 acre.

taken as relating wholly to land[1] as well as three-quarters of the rebates for land-tax payments—a total of £690,000 in 1911–13 and since reduced to less than £600,000. According to evidence before the Royal Commision on Tithe Rent-charge, the value of tithes was about £3¼ millions before the War and slightly less since the War.[2] Manorial profits and fines are not likely to have exceeded £250,000. Local rates in Scotland borne by the owner and subsequently allowed as reductions from assessments amounted to £500,000 for land and £2¼ millions for houses and buildings in 1911–13, and for 1926–8 and 1932–4 the corresponding totals are estimated at £750,000 and £250,000 for land and £6¾–7¼ millions and £7 millions for houses and buildings. The decrease between 1926–8 and 1932–4 was mainly due to the derating of agricultural land and certain kinds of industrial property. As already mentioned, by arrangement with the Inland Revenue interest on loans from building societies is allowed as a deduction from the gross income under Schedule A and the total income of building societies is assessed as a whole under Schedule D. The effect of this arrangement has been to show a large increase during recent years in 'other reductions and discharges' under Schedule A on account of claims for payment of building society interest. In 1926–8 the interest due on mortgages to building societies in Great Britain was about £11 millions; it had risen to at least £20 millions in 1932–4.[3] Claims on account of trading losses may be set off, if necessary, from Schedule D to Schedule A. Such claims usually

[1] Lord Stamp, *British Incomes and Property*, pp. 59 and 60, and Appendix to *Evidence submitted by the Board of Inland Revenue to Royal Commission on Tithe Rent-charge*, October 25, 1934.

[2] *Report of Royal Commission on Tithe Rent-charge*, p. 4, and *Minutes of Evidence submitted by the Ministry of Agriculture and Fisheries*, October 25, 1934.

[3] See *Reports for Building Societies* published by the Chief Registrar of Friendly Societies.

arise when a firm, already assessed for its buildings under Schedule A, suffers a trading loss in one year and claims rebate from payment of tax on its buildings. The total value of such claims is not likely to be very great in 1911–13 or 1926–8, when industrial profits were high, but may have been as much as £2 millions in 1932–4. The remaining items in 'other reductions and discharges', for which information is not available, amounted to £2¼ millions in 1911–13, £14 millions in 1926–8, and £20 millions in 1932–4. These are likely to consist mainly of additional allowances for over-assessments, and they have been divided between land and houses and buildings proportionally to gross income. The error arising from this assumption has been recognized later in assessing the range of error in the estimates of capital values.

Assessments on real property in the possession of charities are mainly in respect of houses and buildings. Of the estimated assessed net income from real property of charities, less than half a million in 1911–13 and £1–1½ million in 1926–8 and 1932–4 have been taken as net income from land, and the remainders as net income from houses and buildings.

Gross Income from Real Property.

Table 3 gives the gross income from land and from houses and buildings. The figures are of gross income from all occupied real property, corrected for over-assessments. Over-assessments are usually stated at a net value in 'other reductions and discharges'. If property at the original assessment is overvalued, since deductions for repairs have already been allowed, discharges for over-assessments are made by making further deductions in 'other reductions and discharges' at a net value. The same administrative procedure is followed in regard to claims for exemptions for empty property and for land, houses, and buildings belonging to charities, and the exemption

allowances granted are stated in the Inland Revenue reports at their net and not their gross values. Thus, while the differences between the figures in Table 3 and in Table 2 represent mainly allowances for repairs to land, houses, and buildings, these differences are necessarily less than the total figures given for allowances for repairs in the Inland Revenue reports.

TABLE 3. *Gross Income from Real Property in Great Britain*

(Means of estimates only are given)

(£ millions)

Years	*Total*	*Land*	*Houses and Buildings*
1911–13	242	38	204
1926–8	367½	40¼	327¼
1932–4	456	39	417

The figures in Table 3 are likely to be too low, especially for the post-War years, since all the unidentified items in 'other reductions and discharges' have been assumed to be over-assessments. They have been divided between land and houses and buildings in the same way as for Table 2.

It will be noticed that while the gross income from land was higher in 1932–4 than in 1911–13, though less than in 1926–8, the net income from land was less in 1932–4 than in either 1926–8 or 1911–13, due to the higher cost of maintenance. Inquiries made in connexion with the Censuses of Agriculture showed a fall of 13 per cent. in agricultural rents in England and Wales between 1925 and 1931.[1] Again, in evidence before the Royal Commission on Tithe Rent-charge, the Ministry of Agriculture and Fisheries gave the average rent per acre for

[1] Ministry of Agriculture and Fisheries, *The Agricultural Output of England and Wales 1930–1*, pp. 50–3.

a very large estate, which was considered typical: 1911–13, 21*s.* 1*d.*; 1926–8, 24*s.* 9*d.*; 1931, 23*s.* 5*d.*; 1932, 22*s.* 7*d.*; and 1933, 21*s.* 7*d.*[1] The decline, therefore, in gross income from land between 1926–8 and 1932–4 as shown by Table 3 is somewhat less than might have been expected.

Numbers of Years' Purchase for Real Property.

The next step is to capitalize the figures of annual gross and net income by multiplying by the appropriate numbers of years' purchase. For different kinds of land the numbers of years' purchase will obviously vary according to tenure, site, and quality. The method of valuing tithe rent-charges, sporting rights, and mining royalties will not be the same as for agricultural land. Weekly cottage property is likely to be subject to rent restrictions. It would therefore be preferable, in view of such differences, to value each kind of property separately rather than to attempt to find an average number of years' purchase for all kinds of property. So far as possible this has been done, but in the absence of detailed information regarding the gross and net income from many kinds of property the estimates given in Table 4 must still be subject to a wide range of error.

The same basis of valuation as for redemption has been used for the post-War years for tithe rent-charges—in 1926–8, twenty-two times, and in 1932–4, twenty-seven to thirty times the net annual value.[2] For other kinds of property the bases of valuation used for estate duty purposes have been adopted so far as possible. A large proportion of real property passing at death is valued by officials of the Inland Revenue, and it is unlikely that

[1] Appendix to *Evidence submitted by the Ministry of Agriculture and Fisheries.*

[2] See *Evidence submitted by the Ministry of Agriculture and Fisheries to Royal Commission on Tithe Rent-charge*, paragraphs 54 and 55.

the estate duty valuations—at least for real property—will be much below true values. Since the winding up of an estate often involves a forced sale, and, moreover, it is to the advantage of legatees to secure as low a value as possible on estates, it may be that the value of real property passing at death is stated at less than the estimated price the property would fetch if sold in the open market in ordinary circumstances. There are, moreover, special legal provisions permitting a lower valuation of agricultural land in estates not exceeding £1,000 net capital value,[1] but the amount of such property in such small estates is not a large percentage of the total for the country. With these general qualifications it appears reasonable to accept for our present purpose the bases of estate duty valuations of lands, houses, and buildings. As already mentioned, there is the advantage also that some of the difficulties in comparing the value of private property as estimated in this chapter and the value of property in private hands in Chapter II may be thereby avoided.

The values of different kinds of real property passing at death each year are published in the reports of the Inland Revenue, but details of the 'gross annual values' and 'net annual values' and the appropriate numbers of years' purchase used in the valuations of such real property are given only for part of the real property passing each year. The proportion of the value of land, houses, and buildings for which such details have been given fell from 80 per cent. in 1911–13 to 24 per cent. in 1926–8 and to 16 per cent. in 1932–4. The range of error to be attached to figures of numbers of years' purchase based on estate duty returns must be greater now than before

[1] Under the Finance Act, 1894, as amended by the Finance Act, 1910, purely agricultural land in estates not exceeding £1,000 in net value is charged on a capital value not exceeding twenty-five times the net annual value based upon property-tax assessment.

the War. But, even if we are safe in using for our purpose the detailed information relating to valuations of real property for estate duty, the definitions of 'gross annual value' and 'net annual value' in estate duty returns differ from those adopted in this chapter. 'Gross annual value' for estate duty purposes is the gross Schedule A assessment, that is, including items such as tithes, rates, land-tax, and other items which are deducted in compiling Table 3. If, therefore, the same numbers of years' purchase as for gross annual value in the estate duty returns are applied to the figures in Table 3 of gross income, we obtain estimates of the value of real property which are likely to be too low. On the other hand, since the deductions from gross annual value in estate duty valuations include items not usually allowed as deductions in assessment for Schedule A purposes, the 'net annual value' of real property in the estate duty returns will be less than the net income from such property as we have defined net income for Table 2. If, therefore, the figures in Table 2 are multiplied by the numbers of years' purchase for net annual value as given by the estate duty returns, the estimates of the value of real property obtained are likely to be too high. We have therefore prepared estimates of the value of real property by multiplying the figures in Tables 2 and 3 by the numbers of years' purchase for net annual value and gross annual value respectively as given by the estate duty returns for 1911–13, 1926–8, and 1932–4, and then taken the means of the estimates obtained for those years.

Comparison of the capital values of real property taken for estate duty purposes and gross annual values of such property shows that the average number of years' purchase for agricultural land was in 1911–13, 20½–21½ for Great Britain; in 1926–8, 17¼–18¾ for England and Wales and 15–17 for Scotland; and in 1932–4, 15½–16½ for England and Wales and 12¾–13¼ for Scotland. The

corresponding figures for houses and buildings were—1911–13, 13¾–14¼ for Great Britain; 1926–8, 11½–12¾ for England and Wales and 11½–12 for Scotland; and for 1932–4, 10–10½ for England and Wales and 10½–11 for Scotland. These multipliers have been applied to the figures in Table 3 in order to estimate the capital value of real property in Great Britain.

For the net income figures in Table 2 the average number of years' purchase for land has been taken: 1911–13, 23½–25½ for Great Britain; 1926–8, 21¾–23½ for England and Wales and 21½–24½ for Scotland; and 1932–4, 19½–20½ for England and Wales and 17–18 for Scotland. The corresponding multipliers for houses and buildings were: 1911–13, 17–18 for Great Britain; 1926–8, 17¼–18 for England and Wales and 20–21½ for Scotland; and 1932–4, 15–16 for England and Wales and 19–20 for Scotland.

Before the War Sir Robert Giffen, Lord Stamp, and others, in their studies of national capital, in the absence of the more detailed information which has since become available, used the average number of years' purchase for freehold land. Judging by the kind of tenures becoming subject to estate duty, feudal tenures appear to be more common in Scotland than in England, and lower multipliers than for freehold land would be more suitable for England than for Scotland.

It will be noticed that the average number of years' purchase, both for gross and for net income, was still lower in 1932–4 than in 1926–8. It should be remembered, however, that annual values of real property assessed for Schedule A were generally increased between the two periods.

The Capital Value of Real Property.

The capital value of land, houses, and buildings is estimated in Table 4. The figures are obtained by multiplying

first the net income and then the gross income by the appropriate numbers of years' purchase.

TABLE 4. *Estimated Capital Value of Land, Houses, and Buildings in Great Britain*

(£ millions)

Years	*Net income method*	*Gross income method*
LAND.		
1911–13	740–805	770–815
1926–8	705–770	685–750
1932–4	550–600	590–650
HOUSES AND BUILDINGS.		
1911–13	2,900–3,075	2,805–2,910
1926–8	4,300–4,600	3,760–4,200
1932–4	4,900–5,200	4,200–4,400

The results by the two methods are not very different for land, but for houses and buildings the use of figures of gross income gives lower totals, especially for post-War years, than the use of figures of net income. These differences were to be expected in view of the discussion above, and while the true value of real property lies between the two sets of estimates it is more probable to be nearer the estimates obtained by using gross income, since the definition of gross income in Table 3 differs less from 'gross annual value' than net income in Table 2 differs from 'net annual value' in estate duty returns. The means of the final estimates given therefore in Table 5 lie somewhat nearer to those obtained by the use of the gross income figures.

It should be remembered that in both Table 4 and Table 5 the figures for land and for houses and buildings are not strictly comparable between pre-War and post-War years in so far as formerly agricultural land has been taken over for building purposes. The estimated capital value of land includes (1) farm lands, (2) farm-houses

occupied by tenant farmers or farm servants, (3) orchards or gardens held by houses or buildings in excess of one acre adjoining such properties, and (4) tithes, sporting rights, manorial rights, and similar possessions. Houses and buildings comprise, together with their sites, private dwelling-houses, business premises, warehouses, and also farm-houses of an annual value of £20 or more occupied by persons other than tenant farmers or farm servants. The value of gardens up to one acre in extent attached to houses is included as well as the value of land adjoining business property. It should, further, be noted that land or buildings belonging to and used by railways, mines, gasworks, waterworks, and similar undertakings are not included in either Table 4 or 5, since they are assessed under Schedule D.

TABLE 5. *Estimated Capital Value of Real Property in Great Britain*

(£ millions)

Year	*Total*	*Land*	*Houses and Buildings*
1911–13	3,725 ± 150	785 ± 30	2,940 ± 120
1926–8	4,840 ± 440	740 ± 40	4,100 ± 400
1932–4	5,220 ± 540	620 ± 40	4,600 ± 500

Lord Stamp has estimated the value of land at £1,125–1,230 millions in 1914, £875–1,025 millions in 1928, and at £900–1,050 millions in 1935; and the value of houses and buildings at £3,180–3,480 millions in 1914, £4,450–4,950 millions in 1928, and at £5,000–5,600 millions in 1935.[1] These estimates related to Great Britain and Ireland in 1914 and to Great Britain and Northern Ireland in 1928 and 1935, and included real property owned by charities, and therefore need to be reduced

[1] *British Incomes and Property*, p. 404, and *The National Capital and Other Statistical Studies*, pp. 30–1.

before they are comparable with those of Table 5, which are for Great Britain only and relate only to private property. But even when these corrections are made, Lord Stamp's estimates are still larger. This is mainly due, in the case of land, to an addition he made for the value of undeveloped sites, and in the case of houses and buildings, to his preference for estimates even higher than those arrived at using net income.

The addition for undeveloped site values is a question of considerable importance, since it raises the whole question of the anticipation of future income. Potential building sites which are still agricultural land are presumably valued at their present agricultural value, but Lord Stamp has argued that this valuation is too low and should be supplemented by an assessment of the land at its value for building. He expresses the opinion that 'the fact that a building site is being held up for further development is beside the mark'.[1] The addition he makes for undeveloped values in 1914 is relatively small, but out of £950 millions he estimates as the mean value of land in 1928, £175 millions represented an addition for vacant building land. For 1935 he makes an even higher addition of £300 millions, but this is also to cover the increased beneficial occupation of land in excess of actual assessed rents to be expected from the new agricultural policy.

If, however, Lord Stamp's view is accepted, it is hard to resist the criticism that the future income of these sites is being anticipated. It may be argued that to take into account the future value of land is only to include the value of undeveloped sites in so far as it can be accurately foreseen. But even if this argument is accepted, there is only a net addition—the difference between the value of land as agricultural land and as building land—to be made. It would seem, moreover, that possible

[1] *British Incomes and Property*, footnote to p. 384.

decreases as well as increases of values may be foreseen, and in the circumstances the only safe way of valuing land is on the basis of present income. Finally, even if some addition is considered necessary, it is not certain that the whole of this should be credited to lands. Land adjoining existing houses and buildings may also have a potentially greater value. In any event, it seems somewhat paradoxical that if this anticipated increase in value is realized, it will be shown later mainly as an increase in the value not of land but of houses and buildings.

According to information received by the Ministry of Agriculture and Fisheries, the capital value of agricultural land in England and Wales was estimated at £815 millions in 1925 and at £645 millions in 1931. These totals are higher than those in Table 5, but it should be pointed out that the official estimates are based on the selling value of land, which takes into account its use as potential building sites, and they include land owned by charities.

Although Lord Stamp states that 'for technical reasons' estimates of the value of houses and of buildings, using gross income, are to be preferred to those given by using net income, he considered that the numbers of years' purchase for gross income, as shown by estate duty valuations, were too low 'according to tests by building society valuations' and by 'any test of the comparative cost of houses before the war and at the present time for middle-class property'. Thus he takes the higher estimates of the values of houses and buildings arrived at by using net income and makes a further addition to these of £200 millions in 1928 and £220 millions in 1935.

For 1911–13 the total value of real property given in Table 5 can be compared with the £5,260 millions reached by the special valuation of real property made for the new land-taxes of 1910–11.[1] The total in Table 5

[1] See *Sixty-third Report of the Commissioners of Inland Revenue for year ended March 31, 1920*, and previous reports.

is only £3,575–3,875 millions, but to this should be added not more than £800 millions, and may be as low as £600 millions—the value of property owned and occupied by railways, mines, gasworks, and similar undertakings estimated at eighteen years' purchase of gross value for poor-rate purposes, and of land, houses, and buildings owned by charities. The amended total is only £4,175–4,675 millions to compare with £5,260 millions, but the latter total includes the valuation of future site values and, again, is likely to be too high, since the proposed taxes for which the special valuation was made included a tax on increased values. There was, therefore, some reason why owners of property should declare their property at as high a value as possible.

In comparison, therefore, with such checks as are available, the estimates we have made in Table 5 do not appear unreasonable, but it should be remembered that the figures for land do not include any provision for the value of undeveloped building sites.

B. *Farmers' Capital*

The value of farmers' capital has been estimated for post-War years from information collected for the Censuses of Agriculture. The assessments made under Schedule B have not been used, since these, as we have already mentioned, are unsatisfactory for our purpose.

In 1925 the capital of farmers in England and Wales, as distinct from that of their landlords, was estimated by the Ministry of Agriculture and Fisheries at £365 millions. These figures, however, relate only to farms one acre or more in size. Making an addition for Scotland and for small-holdings, which include a large number of poultry farms, the capital of farmers has been taken at £400–450 millions in 1926–8.

A similar estimate made by the Ministry of Agriculture for England and Wales shows a fall to £280 millions in

1930–1, compared with £365 millions in 1925. This lower total reflects, however, in part the depressed state of agriculture at that time, and we are not justified for this reason in taking a lower figure for 1932–4 than for 1926–8. Indeed, Lord Stamp assumes an increase of 5 per cent. between 1928 and 1935. It seems safe to estimate farmers' capital at £370–450 millions in 1932–4.

No information of a similar nature was published by the Ministry of Agriculture before the War, and for 1911–13, following the work of Sir Henry Rew, Major Craigie, and Lord Stamp, we have taken the capital of farmers in Great Britain at £250–320 millions. The estimates of farmers' capital are therefore £250–320 millions in 1911–13, £400–450 millions in 1926–8, and £370–450 millions in 1932–4.

c. *Securities of British, Dominion, and Foreign Governments*

Before the War interest on Government securities was assessed mainly under Schedule C, but since the War it has been assessed under either Schedule C or Schedule D, according to whether tax is deducted or not at the source. No other assessments except those on Government securities are made under Schedule C, and details are therefore available of exemptions to charities and reductions and discharges on interest on Government securities under Schedule C both before and after the War. Under Schedule D, however, interest on Government securities is classified as one of seven groups of assessments made under that Schedule, and details of exemptions to charities and of reductions and discharges on Government securities under Schedule D are not published separately. Discharges from assessments on Government securities under Schedule D are not, however, likely to be large, since interest is assessed on declarations of income received by persons and companies and not taxed at the source.

For post-War years interest on Government securities under Schedule D has been grouped with 'deposit and other interest'. It is understood, however, that 'deposit and other interest' is small compared with interest on Government securities, although larger in 1932–4 than in 1926–8, due to the increase of building society interest. Building society interest was not included in 'other reductions and discharges' under Schedule A, and it is therefore necessary to make corresponding deductions here from assessments under Schedule D. The remaining amount of 'deposit and other interest' included with interest on Government securities does not seriously impair the comparability of the figures in this section before and after the War.

Interest from Government Securities.

The published figures of interest from Government securities need to be adjusted before they can be used for our purpose. Deductions must be made for reductions and discharges from assessments, interest accruing to charities, building society interest allowed as discharges under Schedule A, and dividends on British, Dominion, and foreign Government stocks payable to persons or companies outside Great Britain. On the other hand, since assessments are not made under Schedules C and D on all persons having incomes below the income-tax limit, an addition should be made to the Inland Revenue figures for unassessed interest on Government securities received by such persons.

Interest payable to charities and reductions and discharges from assessments are known for Schedule C from claims for exemptions and have been deducted. £5 millions in both 1926–8 and 1932–4 have been allowed to cover exemptions under Schedule D. Interest due on mortgages to building societies which we did not count as discharges under Schedule A and which, therefore,

to avoid duplication, we must deduct here, amounted to £11 millions in 1926–8 and at least £20 millions in 1932–4. Dividends on foreign Government securities due to foreigners are sometimes paid in this country when the issues of such securities were originally floated in London. Such dividends amounted to £1¼ million in 1911–13, £4 millions in 1926–8, and £3¼ millions in 1932–4. Interest due to holders of British Government securities in Ireland and in foreign countries is in part taxed at the source. Holdings of British Government securities outside the United Kingdom are known to be relatively small, and it appears reasonable, therefore, to make a deduction of not more than 3–5 per cent. in 1911–13 and 2–3 per cent. in post-War years for interest on British Government securities assessed but payable outside Great Britain.[1]

The lowering of the exemption limit since the War and the rise in incomes have rendered a larger proportion of the interest from Government securities liable to assessment. Before the War small dividends under £5 a year were paid in full, and if paid to persons liable to tax were assessed as 'untaxed interest' under Schedule D. It has always been the practice to pay in full interest on Government securities held by the Post Office Savings Bank on behalf of registered investors. Further, when persons to whom interest was payable had previously satisfied the Inland Revenue that they were not liable to tax, payments of interest on Government securities might be paid without assessment at all. On the other hand, both before and since the War, assessments were made on persons who proved later to be exempt. Thus, £1¼ million received by persons under Schedule C with incomes not exceeding £160 was assessed in 1911–13, £2 millions accruing to persons below the exemption

[1] See *Revenue and Expenditure*, Cmd. 387, 1914, and *The Problem of International Investment*, Royal Institute of International Affairs.

limit of £135 was assessed in 1926–8, and £3 millions belonging to persons with incomes not greater than £100 in 1932–4. An addition is therefore necessary here only for part of the interest from Government securities paid to persons below the current exemption limits.

A reasonable estimate of the interest on British Government securities not assessed can be made by comparing interest assessed by the Inland Revenue and the total interest paid out by the National Debt Commissioners on the internal Funded Debt, Terminable Annuities, and on internal Unfunded Debt (other than Treasury Bills and National Savings Certificates). Interest on Treasury Bills is excluded from this comparison since these are almost entirely held by financial institutions which are assessed for income-tax purposes on their total profits, including income from Government securities. Interest from savings certificates is exempt from assessment irrespective of the size of the income, but it is more convenient to make an addition later for the capital value of savings certificates. The differences between interest on the internal National Debt (excluding Treasury Bills and savings certificates) and interest assessed under Schedules C and D amounted to approximately £4 millions in 1911–13, £75–85 millions in 1926–8, and £60–70 millions in 1932–4. The greater proportion of this interest is, however, paid to the National Debt Commissioners on their holdings of Government securities on behalf of Government Funds and Saving Banks, or due to charities and persons abroad, or assessed as part of the profits of financial institutions; less than a fifth is interest on Government securities held by persons with incomes below the exemption limits. Before the War the Inland Revenue stated the total amount of interest accruing to Government departments and charities not assessed under Schedule C. For 1926–8 and 1932–4, interest on British Government securities received by Government

departments can be estimated from published details of the kinds of securities held. No information exists, however, as to the amount of interest paid to charities during the post-War years which was not assessed,[1] or for the years, both before and after the War, of interest assessed as part of the general profits of financial institutions. One million pounds for 1911–13, £4–8 millions for 1926–8, and £3–7 millions for 1932–4 have been added to cover unassessed interest on Government securities paid to persons with incomes below the exemption limits in these years. It has been assumed that holdings of foreign Government securities by persons with small incomes are negligible—an assumption which appears justified by the returns made for estate duty purposes.

The total interest on Government securities in private ownership is thus estimated at £44–47 millions in 1911–13, £235–245 millions in 1926–8, and £215–230 millions in 1932–4. These figures exclude interest on savings certificates and also on Treasury Bills and Government securities assessed as part of the total income of financial institutions.

Capital Values of Government Securities.

Details of the principal groups of Government securities are given in the reports of the Board of Inland Revenue and the National Debt Commissioners, and the

[1] Details are published by the Charity Commissioners for England and Wales of the income derived from stocks, securities, and annuities held by the Official Trustees of Charitable Funds. The total interest received amounted to £2½ millions in 1926–8 and £2¾ millions in 1932–4, of which about two-thirds were derived from British Government securities. Most of this interest is likely to be unassessed. These figures, however, are only for securities held by the Trustees on behalf of charities and not for the total securities held by charities. Further, it should be noted that the details published by the Charity Commissioners relate only to charities as defined by the Charitable Trusts Acts and not to the Ecclesiastical Commissioners, Queen Anne's Bounty, and other bodies classified as charities for income-tax purposes.

yields of the different stocks can be readily calculated from stock exchange quotations. Thus the yields on British and foreign Government stocks varied from 3¼ to 4½ per cent. in 1911–13, from 4½ to 5½ per cent. in 1926–8, and fell in 1932–4 almost to their pre-War level. The total capital value of British, Dominion, and foreign Government securities, including property represented by 'deposit and other interest', has been calculated by multiplying the interest on Government securities in private hands by the reciprocals of these yields.

The capital value of Government securities is estimated at £1,150–1,250 millions in 1911–13, £4,500–4,700 millions in 1926–8, and £5,600–6,400 millions in 1932–4. The increase since 1911–13 is due to the rise in the National Debt and the yield of fixed interest securities was higher in 1932–4 than in 1926–8. Estimates for more recent years would show even higher figures than for 1932–4.

The totals for 1926–8 and 1932–4, however, exclude the value of national savings certificates which are not assessed for income-tax. Savings certificates were on sale in Ireland until March 31, 1922, but the total value of certificates purchased in Ireland up to that time was £6½ millions. Since April 1922 separate issues of certificates have been on sale in Northern Ireland and the Irish Free State, and the value of outstanding national savings certificates sold in Great Britain, including accrued interest, may be taken as an addition to the value of Government securities. £480 millions has thus been added in 1926–8 and in 1932–4.

The aggregate value of British, Dominion, and foreign Government securities, including part of the property represented by 'deposit and other interest' and the value of savings certificates, was thus £1,150–1,250 millions in 1911–13, £4,980–5,180 millions in 1926–8, and £6,080–6,880 millions in 1932–4.

D. *Dominion and Foreign Securities and Possessions*

The kinds of securities held by charities consist mainly of Government stocks. The Reports of the Official Trustees of Charitable Funds for post-War years show only a small proportion of the investments of charities invested in Dominion and foreign securities other than Government securities. It has been possible therefore to assume without serious error that all dividends received from Dominion and foreign securities and possessions assessed by the Inland Revenue are received by private persons or undertakings. The estimates made in this section may, on this account, be somewhat too high and those in section F therefore too low. No allowance has been considered necessary for dividends received from abroad by persons with small incomes.

Evasion is more likely to occur on dividends from Dominion and foreign securities than from other kinds of securities. Except where the securities were issued on London or dividends distributed through a paying agent in this country, no direct checks are possible on payments of such dividends. The extent of evasion which does take place must be largely a matter of opinion. Lord Stamp has estimated it to be at approximately 3 per cent. of the total interest received, and his estimate has been accepted.[1]

The gross amount of interest on Dominion and foreign securities and possessions (including the allowance for evasion) was £46 millions in 1911–13, £90 millions in 1926–8, and £74¼ millions in 1932–4. These totals exclude dividends paid in London but due to persons outside the United Kingdom. The figures should, however, be further reduced for over-assessments and 'other reductions and discharges', and for interest paid in London

[1] *National Capital and Other Statistical Studies*, p. 27.

but due to persons and institutions in Ireland. Details of reductions and discharges allowed are not separately stated in the Inland Revenue reports, but they are not likely to exceed £3 millions in 1911–13 and £8 millions in the post-War years. It appears safe to take the actual amount of interest paid on Dominion and foreign securities (other than Government securities) and possessions to persons and private institutions in Great Britain, allowing for evasion, as £42–44 millions in 1911–13, £80–83 millions in 1926–8, and £64–67 millions in 1932–4.

Interest on Dominion and foreign securities and possessions includes dividends received from abroad, no matter whether such dividends are distributed through a paying agent in Great Britain or not. Earnings of British companies operating abroad are not included, except dividends paid to a British parent company by its subsidiary companies operating abroad. For this reason the totals above, together with interest received on Dominion and foreign Government securities, are less than the total receipts from overseas investments as estimated by the Board of Trade. Moreover, there is an important difference between the published Inland Revenue figures for pre-War and post-War years. The figures for pre-War years do not include, but those for post-War years do include income from abroad not remitted to this country.

The exact nature of the securities on which interest is assessed is not disclosed in the Inland Revenue reports, and the calculation of the appropriate number of years' purchase is accordingly more hazardous than for Government securities. Further, there were exceptional difficulties in 1932–4 regarding the payment and transfer of income from abroad to this country, and the range of error in our estimates is therefore greater for those years. For 1911–13 the number of years' purchase has been taken as 20–24, for 1926–8, as 16–19, and for 1932–4,

16–22. The total value of Dominion and foreign securities and possessions (excluding Government securities) was thus £875–1,050 millions in 1911–13, £1,300–1,500 millions in 1926–8, and £1,050–1,450 millions in 1932–4. Lord Stamp has estimated the capital value of securities on which income was not remitted to this country in 1914 at £200–600 millions.[1] Making this addition, the total value of Dominion and foreign securities and possessions was £1,075–1,650 millions in 1911–13.

No direct checks of these estimates are possible, although for 1932–4 Sir Robert Kindersley gives the nominal value, as distinct from the market value, of British capital invested in Dominion and foreign municipalities and in foreign and colonial companies as greater than £800 millions.[2] To this total should be added, for comparison with our figures, investment of British companies in their subsidiaries abroad.

E. *Railways in Great Britain*

The profits of railway companies in Great Britain (excluding the Manchester Ship Canal Company) derived from the operation of railways and from hotel and other services are assessed, as a whole, under Schedule D. The gross profits amounted to £45¼ millions in 1911–13 and to £35¾ millions in 1926–8. Comparable figures are not available for 1932–4. In 1932 the London Underground Companies became part of the London Passenger Transport Board and the profits of these companies, which were formerly assessed as railway companies, are now included with the profits of other undertakings engaged in transport and communication. The gross income of railway companies, excluding the London Passenger Transport Board, was £26½ millions in 1933–4.

Before the War the number of railway companies was

[1] *British Incomes and Property*, p. 404.

[2] *Economic Journal*, 1935, pp. 439–55.

much larger than at present, but since the quotations of almost all railway stocks and shares are readily obtainable, a direct valuation of railway companies has been made, using stock exchange quotations. No account was taken of the high replacement costs of railways or of their nominal capital values stated in the Annual Railway returns. Thus, the capital value of railways in Great Britain as a whole (excluding before and after the War the London Underground companies and the Manchester Ship Canal), has been estimated at £1,020–1,100 millions in 1911–13, at £810–890 millions in 1926–8, and at £720–800 millions in 1932–4.

The figures which we should properly take as the value of railways should, of course, be less than those above, since charities have investments in railway companies. In 1926–8 and 1932–4, 9 per cent. of the nominal value of securities held by the Official Trustees of Charitable Funds was invested in British and Irish Railway stock. In the absence of precise knowledge, however, of what proportion of the stocks and shares of railway companies is held by charities, and since later the figures for railways are grouped with other trading undertakings, no deductions have been made for public bodies represented by investments in railways.

F. *Industry, Transport, Distribution, and Finance*

The land and buildings of firms in industry, transport, distribution, and finance have been valued above in section A, and their reserves invested in Government and foreign securities valued in sections C and D. It remains to make an addition for the value of capital represented by the trading profits of the firms assessed under Schedule D. Their total net profits, after deduction of allowances for wear and tear and other reductions and discharges under Schedule D not already deducted

previously, amounted to £469 millions in 1911–13, £861 millions in 1926–8, and £647 millions in 1932–4 before deduction for profits accruing to charities. Exemptions to charities, where these were assessed, amounted to £4½ millions in 1911–13, £18¾ millions in 1926–8, and £19½ millions in 1932–4.

The net profits of private firms, partnerships, and persons working on their own account include payments for work done by persons which would be treated as salaries or directors' fees if they were public companies and not as profits earned on capital invested. Thus in 1911–13 about one-third of the value of gross assessments was on firms and individuals not registered under Companies Acts. Corresponding figures for post-War years have not been published, but it is unlikely that the proportion is now higher, notwithstanding the lowering of the income-tax exemption limit since the War, in view of the growth in the number of companies registered under the Companies Acts. Thus the net profits of private firms, partnerships, and persons working on their own account has been estimated at £165 millions in 1911–13, £180–200 millions in 1926–8, and £160–180 millions in 1932–4.

An attempt was made by an analysis of a number of trading accounts of small traders and professional persons, made available to us through the kindness of their auditors, to determine what might be considered a reasonable proportion to take of their total earnings as being a return on capital invested. Lord Stamp has stated that before the War over one-third of the profits of firms and persons related to wholesale and retail distribution.[1] The inquiry we were able to make was not on a wide enough scale to justify anything but the broadest approximation. In the opinion of Dudley Baxter, 'trades and professions require working capital, the interest on

[1] *British Incomes and Property*, p. 394.

which amounts to one-fifth of their gross income'. The information made available to us suggests the proportion may now be less, and we have therefore taken one-sixth to one-quarter of the assessed profits under Schedule D of firms, partnerships, and persons working on their own account as representing income on capital. It should be remembered that assessments may have already been made on real property owned by small traders and professional persons under Schedule A.[1]

On the other hand, the existence of a large number of small businesses makes evasion more probable. Evasion is unlikely to be serious in assessments of large companies where their accounts are audited, and Lord Stamp has expressed the opinion that increases of 3 per cent. in total net profits in 1928 and of less than 2 per cent. in 1935 were probably sufficient to cover possible evasion. The adjusted totals, corrected for estimated evasion and including only part of the earnings of small businesses, have been taken as £310–330 millions in 1911–13, £650–680 millions in 1926–8, and £455–495 millions in 1932–4 (excluding profits accruing to charities).

These estimates are, of course, not of the total net profits of industry, transport, distribution, and finance, since they exclude assessments on land, buildings, and holdings of Government and foreign securities. In the case, however, of coal and other mines, gasworks, ironworks, waterworks, canals, docks, quarries, markets, tolls, fishing and certain sporting rights, cemeteries, salt and alum works, their total profits are assessed as a whole under Schedule D. The gross profits of such undertakings amounted to £48 millions in 1911–13.

[1] The treatment of trades and professions in estimates of national capital has been discussed by Baxter, Giffen, Stamp, and Chiozza Money. In the absence of precise details of the profits of different trades and professions assessed under Schedule D, it is difficult to improve on the general estimate of Dudley Baxter.

Gross assessments are classified by the Inland Revenue according to industrial groups. The details given are now unfortunately less complete than before the War, but they permit a closer approximation to be made than would otherwise be possible to the value of capital invested in industry as a whole. For the profits of each industrial group we have sought to determine the approximate number of years' purchase. Obviously, for example, the number of years' purchase of a coal mine is likely to be less than for a gasworks, but to be greater than for a professional practice. So far as we were able we have attempted to use a different number of years' purchase for each group of industries, but this was not possible for most industries since the War.

The total net profits assessed under Schedule D as adjusted above have been assumed to have been allocated between preference shares, ordinary shares, and reserve funds in the same way as for a large group of companies whose accounts are regularly analysed by the *Economist*. Thus in 1911–13, 17½ per cent. of the net profits of these companies after payment of debenture interest was paid in dividends on preference shares, 55½ per cent. in dividends on ordinary shares, and 27 per cent. placed to reserves. For 1926–8 and 1932–4 the percentages were—preference shares, 19 and 25½, ordinary shares, 61 and 58, and reserves, 19½ and 16½.

The estimates of the net profits of unspecified industries distributed in dividends on preference shares and on ordinary shares were then in turn multiplied by the reciprocals of the average yields on preference and on ordinary shares calculated from the stock exchange quotations of 400 large companies with subscribed capital of £1,000 millions before and after the War. For example, the average yields on preference shares were 5¾–6 per cent. in 1911–13, 6¼–6¾ in 1926–8, and 4¾–5¼ in 1932–4. The reciprocals of the yields on preference and ordinary

shares give the number of years' purchase to be applied to the total net profits of unspecified industries.

It will have been noticed that the method we have used makes no allowance for payments to debenture holders. It has been assumed that these would be largely covered by income from land, buildings, and Government and foreign securities assessed under Schedules A, C, and D. In so far as this assumption is not in fact justified, it means that too large a proportion of net profits has been estimated to be placed to reserves, and further, since the reciprocals of the yields on debentures are higher than on preference or on ordinary shares, the capital value of the profits of industry will be understated. Obviously this assumption cannot be made with the same justification for all years. The average yields on debentures were $4\frac{3}{4}$–5 per cent. in 1911–13, $5\frac{1}{4}$–$5\frac{1}{2}$ in 1926–8, and $4\frac{3}{4}$–5 in 1932–4. Even if it had been assumed that debenture interest was paid in part out of Schedule D net profits, and the reciprocals of these yields were substituted so far as necessary for those of preference and ordinary shares, the tests we have made suggest that the estimates of capital value below are unlikely to be increased by more than 5 per cent.

In using the method we have described, some allowance has been made for undistributed profits of private undertakings in which charities have investments. Such profits placed to reserves affect the value of the investments of the charities, even though they are not actually distributed to them. Obviously the whole of undistributed profits placed to reserves cannot be assumed to maintain or increase only the value of investments of private persons.

The capital value of the profits of industry, transport, distribution, and finance (excluding railways in the United Kingdom) assessed under Schedule D has been estimated at £3,400–3,800 millions in 1911–13, £8,300–8,800 millions in 1926–8, and £7,265–8,165 millions in 1932–4.

These estimates, as we have stated, would not have been substantially increased even if debenture interest had not been assumed to be met wholly by income from land and buildings and investments in Government and foreign securities. We have, however, purposely preferred to retain the lower estimates, since the yields calculated from stock exchange quotations may be too low, as the negotiability of securities quoted on the stock exchange increases their attractiveness to investors and may therefore decrease their yields relatively to those of unquoted securities. On the other hand, the use of stock exchange quotations implies that details of a company's financial position and prospects are fully known to the outside investor. This may not be so. Owing to the presence of secret reserves the stocks and shares of a company may be undervalued, and circumstances can be readily imagined where the reverse may be true. Lord Stamp has expressed the opinion that 'the rate of interest tends to be influenced downwards more by future prospects of profits in promising business than upwards by bygone experiences of losses, especially in staple industries'. This can be only a psychological judgement, and there is no satisfactory way of showing how far it is true.

The method we have adopted apparently takes no account of the assets of businesses making losses. It should be noted, however, that the land, buildings, and investments in Government and foreign securities of all businesses, whether making profits or not, have been already included elsewhere. Further, the stock exchange rates of valuation already allow for risks of loss. If they did not, the average yields on ordinary shares and preference shares would be higher than those given above. The method we have used was in effect to multiply the actual total net profits by the reciprocals of yields already adjusted for risk of loss.

Two additions must be made to the estimates of capital

value above—first, for the value of capital of co-operative societies which were not assessed under Schedule D for income-tax before 1932 and, secondly, for the capital of businesses and professions exempt from payment of income-tax. The co-operative societies have always been liable to income-tax under Schedule A, but it was not until 1933 that their trading profits were assessed under Schedule D for the first time. The value of their share and loan capital, reserves, and insurance funds amounted to at least £60 millions in 1911–13, £170 millions in 1926–8, and £238 millions in 1932–4. The market value of these funds may be somewhat different, but the capital value of their trading profits, excluding income already assessed under Schedule A, has been taken at £40–50 millions in 1911–13, £110–125 millions in 1926–8, and £45–60 millions in 1932–4. The lower total for 1932–4 is due to the fact that an addition is being made for 1932 only as co-operative societies were assessed under Schedule D in 1933 and 1934.

The estimated number of persons working on their own account with incomes below the current income-tax exemption limits was approximately 637,000 in 1926–8 and 545,000 in 1932–4.[1] For 1911–13 the number was higher, since although the nominal exemption limit did not change between 1911–13 and 1926–8, the real limit was lower in 1926–8, owing to the change in prices and the higher level of incomes. Most of these persons possess items of property which are used by them in their work and the capital value of such property must be added. Wage-earners generally have little capital of their own which they use in their day-to-day employment. Before the War Lord Stamp favoured the use of an average of £200 for the stock-in-trade and equipment of small retail tradesmen and £100 for small workshops

[1] See C. Clark, *National Income and Outlay*, p. 79, and Professor A. L. Bowley, *Wages and Income*, p. 81.

and an aggregate total of £200 millions. In view of the change of the real exemption limit since the War, estimates for £100 millions for 1926–8 and probably less than £80 millions for 1932–4 may be considered reasonable. It should be noted, however, that some persons or small firms may be assessed, though found later, as a result of claims, to be below the exemption limit. Incomes exempted but assessed in 1911–13 amounted to £9¾ millions, to £11¼ millions in 1926–8, and to £7½ millions in 1932–4. £150–180 millions have been added as the capital of persons or small firms below the tax limit and not assessed in 1911–13, £60–75 millions in 1926–8, and £50–65 millions in 1932–4.

The final estimates of the capital of all persons and firms engaged in industry, transport, distribution, and finance (excluding railways in Great Britain) are £3,590–4,030 millions in 1911–13, £8,470–9,000 millions in 1926–8, and £7,360–8,290 millions in 1932–4.

G. *Private Property not yielding Money Income*

The estimated value of land and houses occupied by their owners has already been included above. An addition should now be made for motor-cars, furniture, household goods, and other private property, even though they do not yield money incomes to their owners. In 1931 there were 10¼ million families in Great Britain, and every one of these may be assumed to have at least some private possessions. These possessions are, however, so various in kind, and their saleable value may differ so much from the value which their owners attach to them, that any estimates which are made of the value of such property must be subject to considerable error.

The value of motor-cars, carriages, horses, jewels, plate, pictures, china, linen, apparel, books, and other household goods in estates over £100 passing at the death of their owners amounted to £8 millions in 1911–13,

£13 millions in 1926–8, and £9 millions in 1932–4. The average value of such property varied from £14 for £100–300 estates to £25,500 for large estates more than £250,000 in 1911–13, from £17 to £16,000 in 1926–8, and from £12 to £8,500 in 1932–4. The proportion of household goods to the total value of the estate falls steadily according to the size of the estate, and household goods form a larger share of the total property of persons with small rather than large amounts of capital. The total value of all estates over £100 of persons in Great Britain has been calculated for 1911–13 and 1926–8 in Chapter II, and on the assumption that household goods as a proportion of total property do not differ considerably according to age over 25, the total value of household goods belonging to persons in Great Britain with more than £100 is estimated from the estate duty returns at a minimum of £200 millions in 1911–13 and £400 millions in 1926–8. A provisional estimate for 1932–4 is £275 millions.

These figures must be considered as being too small, since the value of household goods recorded in the estate duty returns is likely to be understated. It is sometimes difficult to decide what share of a family's possessions belongs to an individual member of the family, since there are often no documents showing legal title to the different articles of property and goods can be readily transferred to other members of the family. Moreover, where household goods are not sold at the death of their owners, but merely pass to relatives of the deceased, the declared value of such property is likely to be estimated at as low a figure as possible, and it is not only difficult but financially hardly worth while for officials of the Inland Revenue to check such valuations in detail. On the other hand, if the household goods are sold, it is possible that the receipts are shown as 'cash in the house' or 'at the bank'. We should therefore perhaps include

a proportion of the item 'cash' in estimating the value of household goods from the estate duty returns. Thus Sir Bernard Mallet and Mr. H. C. Strutt before the War considered that household possessions in the estate duty returns 'must of necessity be undervalued', especially for 'an old country full of inherited wealth'.[1] It must be a matter of opinion to what extent the estimates made above of the value of household goods owned by people with more than £100 should be raised to represent the total value of such property.

To these estimates, however, an addition must be made for household goods possessed by persons with less than £100. Household goods are likely to form a large proportion of the total property of such persons. Before the War 7–8 per cent. of the value of estates between £100 and £300 consisted of household goods, and since the War the proportion is higher at 10 per cent. When it is remembered that these percentages are probably lower than they should be on account of evasion and under-valuation, it is safe to assume that at least one-quarter to one-half of the value of property of persons with less than £100 consisted of household goods. The property of persons with less than £100 in Great Britain has been estimated in Chapter II at £530–975 millions in 1911–13, £675–1,190 millions in 1926–8, and £580–1,100 millions in 1932–4. The household goods of persons with less than £100 have been taken at £125–375 millions in 1911–13, £160–480 millions in 1926–8, and at £145–460 millions in 1932–4. The total value of household goods of all persons is therefore estimated at not less than £325–575 millions in 1911–13, £560–880 millions in 1926–8, and £420–735 millions in 1932–4.

Although there is reason to think that these estimates

[1] Sir Bernard Mallett and H. C. Strutt, *Journal of the Royal Statistical Society*, 1915, p. 579.

might be increased further, it has not been possible to check them satisfactorily either by an attempt at direct valuation or by use of fire insurance returns. There is some evidence that, due to the increased sales of motor-cars for private use and the introduction of mechanical appliances in the home, the amount of private possessions each family has is increasing. After consideration of the information obtained from the Census of Production of the sales of motor-cars and of wireless sets, vacuum cleaners, and other appliances used in the home, and on the assumption that the value of household goods in the estate duty returns is not likely to be understated to a greater extent than one-third, we have taken £425–675 millions as the value of household goods not yielding money income in 1911–13, £750–1,175 millions in 1926–8, and £550–900 millions in 1932–4.

These estimates, even after allowance that they relate to Great Britain only, are less than those used for the United Kingdom by Sir Bernard Mallett and Mr. H. C. Strutt and Lord Stamp before and after the War. Sir Bernard Mallett and Mr. H. C. Strutt took £1,000 millions as the value of household goods for 1913. Lord Stamp used a lower estimate of £600–1,000 millions for 1914, which he raised to £1,300–1,700 millions for 1927 and £1,400–1,900 millions in 1935.

H. *Total Private Property*

The value of total private property has thus been estimated at £11,090–12,890 millions in 1911–13, £21,110–23,290 millions in 1926–8, and £20,810–24,530 millions in 1932–4. It will be noted that these totals are necessarily larger than those obtained in Chapter II, since they relate to all property belonging to private persons individually or corporately. Table 6 shows the value of total private property and the kinds of property in which the capital of private persons is invested.

TABLE 6. *Estimated Value of Total Private Property in Great Britain*

(£ millions)

	1911–13	*1926–8*	*1932–4*
Total	11,990 ± 900	22,300 ± 1,190	22,670 ± 1,860
Land	785 ± 30	740 ± 40	620 ± 40
Houses and Buildings .	2,940 ± 120	4,100 ± 400	4,600 ± 500
Farmers' capital . .	285 ± 35	425 ± 25	410 ± 40
British and foreign Government securities . .	1,200 ± 50	5,080 ± 100	6,480 ± 400
Other Dominion and foreign securities and possessions .	1,360 ± 280	1,400 ± 100	1,250 ± 200
Railways in Great Britain .	1,060 ± 40	850 ± 40	760 ± 40
Capital of industry, transport, commerce, and finance	3,810 ± 220	8,735 ± 265	7,825 ± 465
Furniture and movable property	550 ± 125	970 ± 220	725 ± 175

IV

PUBLIC PROPERTY

PART of the property owned by the State, local authorities, and charities is similar in kind to property owned by private persons. Houses, Government securities, gas and electricity undertakings are owned both by private persons and by public bodies, and for such property in public ownership we can use the same method of valuation as was used for similar property in private ownership in Chapter III. But public property consists also of property of a kind not owned to any large extent by private persons. Libraries, schools, and hospitals, for example, are mainly owned by public bodies. Such items of property are rarely sold. Since they belong to the State or to a local authority or a charity, they are never the possession of any individuals; they never pass at the death of any individuals into the ownership of other persons; and they are therefore never valued for estate duty. It is difficult to decide how such property can be valued. The original cost of the property may be greater or less than its present value. Where the property has been acquired by loans, the balance of the outstanding debt on the property cannot necessarily be taken as a satisfactory basis of valuation.

All we can hope to do here is to place a minimum value on public property. The method we have followed is to estimate first the value of public property of the State, local authorities, and charities yielding money income which is assessed for income-tax. Income accruing to public bodies can be capitalized at appropriate numbers of years' purchase in the same way as income accruing to private persons. Secondly, an addition must be made for public property yielding money income but not assessed for income-tax (such as Crown lands and Government

securities held by Government departments), and for public property not yielding money income (such as land and buildings owned and occupied by the non-trading departments of local authorities).

A. *Public Property assessed for Income-tax*

Only part of the income of the State, local authorities, and charities is assessed for income-tax purposes. Crown property is exempted, except when not occupied by the Crown or a department of the Crown. Income from houses, gasworks, waterworks, and property of trading departments of local authorities is assessed in the same way as private property, but property of non-trading departments of local authorities is generally exempted if not yielding money income. In special cases town halls and real property of non-trading departments may, however, be taxed under Schedule A when the rents charged for the occupation of such property are claimed wholly or in part as deductions from the profits of trading undertakings under Schedule D; or again nominal assessments of the property of non-trading departments may be made in the contingency that the property may be used in part for trading purposes and for the present corresponding exemptions granted to the same amounts. On the other hand, interest paid on loans made to local authorities, not covered by the profits of trading services, is taxed under Schedule D as 'interest secured on rates'. Income accruing to charities may not be assessed, where it can be shown beforehand that the income is to be used for charitable purposes. When income accruing to charities is, however, assessed, the Inland Revenue admits corresponding claims for exemption. Thus only a small proportion of the property of the State is assessed, and the assessments of local authorities and charities cover only part, although a considerable part, of their total property.

Income from public property can be classified as arising from three kinds of property: (1) real property (land, houses, and buildings), (2) British, Dominion, and foreign Government securities, and (3) capital invested in industry, transport, distribution, and finance (other than already included under (1)). The small amount of public property invested in farming and in Dominion and foreign securities and possessions (other than Government securities) is included under (3). Income accruing to charities is known under each of these categories from details of claims for exemptions in the reports of the Inland Revenue, but income accruing to local authorities can only be estimated approximately.

Real Property.

The net income from real property accruing to charities amounted to £8¾ millions in 1911–13, £16¾ millions in 1926–8, and £16½ millions in 1932–4. The net income from houses received by local authorities can be estimated from particulars collected by the Ministry of Health of rents charged for municipal houses[1] and from information of housing revenues of local authorities published in the Local Taxation Returns. The net income from municipal houses was less than £1 million in 1911–13, £6–12 millions in 1926–8, and £13–22 millions in 1932–4. In so far as rents of municipal houses are lower than they would otherwise be because of building subsidies and rent rebates, the figures above are less than the true annual value of houses in the possession of local authorities. In addition, local authorities are assessed under Schedule A on real property in the occupation of electricity, transport, and other services (except gasworks, waterworks, canals, docks, and those under-

[1] See *Rents of Houses and Flats Owned by Local Authorities (England and Wales)*, Cmd. 5527, 1937.

takings assessed on their total profits under Schedule D). From information given in the Local Taxation Returns, Reports of the Electricity Commissioners and the Ministry of Transport, the total net income from real property (including the figures for houses above) used for non-charitable purposes by local authorities may be taken at about £1 million in 1911–13, £8–16 millions in 1926–8, and £16–26 millions in 1932–4. Assessments are made under Schedule A of income from real property owned but not 'occupied' by the Crown or a department of the Crown. Such assessments are, however, likely to be small, and it is more convenient to account for the income from Crown property as a whole in section B which follows. The total net income from public property (except property belonging to the State) assessed under Schedule A has been estimated at £9–10 millions in 1911–13, £24–32 millions in 1926–8, and £32–42 millions in 1932–4. Corresponding gross income figures for the same years are £11–12 millions, £28–40 millions, and £38–50 millions.

The kinds of real property of local authorities and charities assessed under Schedule A are not very different from other kinds of property similarly assessed belonging to private persons, and approximately the same numbers of years' purchase have been used for public as for private real property. Five-sixths of the tithes, however, were owned, up to the passing of the Tithe Act, 1936, by the Queen Anne's Bounty, the Ecclesiastical Commissioners, the Welsh Church Commission, and other charities. We have valued tithes at the current numbers of years' purchase for tithe redemption. Using the same numbers of years' purchase for gross and net income as for real property in private ownership in section A and taking the means of the estimates obtained, the value of land, houses, and buildings of local authorities and charities was £160–185 millions in

1911–13, £390–550 millions in 1926–8, and £440–650 millions in 1932–4.

Government Securities.

Income on Government securities accruing to charities assessed under Schedule C amounted to less than £1 million in 1911–13, £3 millions in 1926–8, and £8 millions in 1932–4. At the current rates of yield on gilt-edged securities the capital value of these securities was £20–25 millions in 1911–13, £50–60 millions in 1926–8, and £150–200 millions in 1932–4. It should be remembered that these figures relate only to Government securities so far as they are assessed under Schedule C and not to the total value of Government securities held by charities.

Government securities owned by British Government departments are not assessed for income-tax. They are included later in section B. An addition, however, ought to be made here for Government securities held by local authorities. Interest paid to local authorities is not stated separately in the Inland Revenue reports, and the information we have been able to collect from the accounts of local authorities has not been complete enough to allow us to make any reasonable estimates of the value of Government securities in their possession. Our figures of public property in this chapter do not therefore include Government securities held by local authorities.

Other Property.

It remains to take account of income accruing to charities and local authorities under Schedule D and to charities under Schedule B.

Income received by charities amounted to £4½ millions in 1911–13 and rose to £18¾ millions in 1926–8 and to £19½ millions in 1932–4. This income consists mainly of dividends received from investments in debentures,

preference shares, and ordinary shares, and also interest received from British War securities. The capital value of these stocks and shares can be found in the same way as dividends received by private persons. In regard to profits received from investments in industry, it should be noted in contrast to the method used in section F that no deductions need be made for profits placed to reserves, since the figures above are of dividends received; and further, since the investments of charities are more likely to be in debentures and preference shares, higher numbers of years' purchase on the average should be used than for total profits accruing to private persons.

For 1911–13 gross assessments on local authorities under Schedule D amounted to £26 millions—equivalent to £22 millions net after deductions of wear and tear allowances. Details of assessments on local authorities have not been published by the Inland Revenue since the War, and we have estimated the assessments under Schedule D at £30–40 millions in 1926–8, and at £35–45 millions in 1932–4. These figures have been calculated from the details of revenue received by local authorities given in the Local Taxation Returns and the information concerning the working of municipal gas, electricity, and transport undertakings published by the Board of Trade and the Ministry of Transport.

Assessments on local authorities under Schedule D are made in respect of three classes of property: (1) trading undertakings such as gas, water, canals, which are assessed on their total profits under Schedule D, since the real property of these undertakings is exempted under Schedule A; (2) other trading undertakings, such as electricity and road transport, already assessed under Schedule A and therefore taxable under Schedule D only on part of their profits; and (3) outstanding loans on non-trading services and loans on trading services on which the interest payable has not been already met out of the profits of

(1) and (2). In general, we are justified in taking a higher number of years' purchase for trading undertakings under (1), since their profits will include income from real property rather than for other undertakings. Thus, for the years before the War, Lord Stamp took eighteen to twenty-four years' purchase for gasworks, waterworks, canals, and other concerns, compared with fifteen years' purchase for profits of public companies. For trading undertakings under (2) we have used the same number of years' purchase as for similar undertakings in private ownership in section F. In regard to outstanding loans on which the interest is secured on rates, the present value of the property acquired by these loans may be greater or less than these loans. Since, however, assessments are made under (3) only on loans still outstanding and in view of the large amount of non-trading property possessed by local authorities, we can safely include the capitalized value of the interest on these loans in the property of local authorities. Interest arising under (3) therefore has been multiplied by the reciprocals of the current yields on municipal stocks and loans.

The property of charities and local authorities assessed under Schedules B and D has been valued at £440–530 millions in 1911–13, £700–1,000 millions in 1926–8, and £900–1,300 millions in 1932–4.

The total value of public property assessed for income-tax can now be obtained. Adding together the estimates made in this section, the total value amounted to £620–740 millions in 1911–13, £1,140–1,610 millions in 1926–8, and £1,490–2,150 millions in 1932–4.

B. *Public Property not assessed for Income-tax*

We need now to estimate the value of public property not yielding money income or which, if yielding money income, is not assessed for income-tax. In this section we have to account for the total property of the State,

for Government securities held by charities not assessed under Schedules C and D, and for land, buildings, and working capital of the non-trading services of local authorities in excess of any estimate of their value we have included above in capitalizing 'interest secured on rates'. The addition we have to make here, therefore, is for only part of public property.

Government securities held by charities and Government departments can be readily valued, and real property and certain kinds of trading undertakings owned by the State can be capitalized on approximately the same basis as if under private ownership. There are, however, no satisfactory methods of valuing certain kinds of the property of the State and local authorities not yielding money income. While it is true, as Sir Robert Giffen stated, 'there is no property which ought more properly' to be taken into account,[1] it is difficult to find an adequate basis of valuation, and we have been compelled to omit roads and armaments from our estimates of public property on that account.

Lord Stamp has estimated the value of the property of the State and local authorities not covered by assessments for income-tax at £900–1,500 millions in 1928 and £1,050–1,650 millions in 1935 for Great Britain and Northern Ireland. For 1914 his estimate was £300–500 millions net for Great Britain and Ireland, after deduction of the National Debt and the debts of local authorities. We have, in making our estimates below, taken the property, first, of the State, and, secondly, of local authorities. Government securities held by charities have been included with those held by Government departments.

Property of the State.

The rateable values of land, houses, and buildings occupied by or on behalf of the Crown for public

[1] Sir Robert Giffen, *Journal of the Royal Statistical Society*, 1878, p. 8.

purposes for which contributions in lieu of local rates were paid, were £1½ million in 1911–13, £2¾ millions in 1926–8, and £3¾ millions in 1932–4. These include, however, the values of real property rented by the Crown and owned by private persons for which deductions ought to be made. On the other hand, rateable values are somewhat less than gross annual values for Schedule A purposes.

The figures above have been taken as the annual value of the real property of the State. If the same numbers of years' purchase are used as for private property, the capital value of real property owned and 'occupied' by the Crown or departments of the Crown may be taken at £25–50 millions in 1911–13, £40–80 millions in 1926–8, and £50–100 millions in 1932–4. These estimates can be compared with the published values of land and buildings in the possession of various departments of the State. The principal departments concerned are the Commissioners of Crown lands, the Post Office, the dockyards and manufacturing establishments of the Defence departments, the Ministry of Agriculture and Fisheries, the Office of Works, the Forestry Commission, the State Management Licensing Districts at Carlisle, Gretna, and Cromarty Firth, the Mint, and the printing and binding works and sales offices of the Stationery Office. In the balance-sheets of these departments, so far as they are published, the book value of land and buildings is usually given at original cost less depreciation.[1]

Interest on British and foreign Government securities held by Government departments and by charities not assessed for income-tax purposes amounted to £17 millions in 1911–13, according to the reports of the Board of Inland Revenue. The classes of securities on which this interest was paid can be ascertained approximately

[1] For list of accounts published by different departments see bibliography at the end of this book.

by subtracting interest assessed under Schedule C on different classes of Government securities from the total interest paid on these securities shown in the returns relating to the National Debt. The capital value of Government securities held by Government departments and charities has been estimated at £400–460 millions. This total can be partly checked by comparison with the figure of £300 millions given as the value of Government securities held by Government departments at March 31, 1914.[1]

These totals exceed the value of Government securities owned, as distinct from the securities held by Government departments and charities, since they include investments held by the National Debt Commissioners on behalf of the Post Office Savings Bank and the Trustee Savings Bank and also investments of the Trustee Savings Banks. We have already included savings bank deposits under private property in section C when capitalizing 'deposit and other interest' and when making an allowance for Government securities held by persons with incomes below the exemption limit. Securities held for the Post Office Savings Bank and the Trustee Savings Banks (excluding the stock held by persons on the Post Office Register) amounted to £200 millions in 1911–13. If this amount is deducted from the total of £400–460 millions above, the value of Government securities owned by Government departments and charities is estimated at £200–260 millions in 1911–13. This estimate can be compared with the aggregate value of securities held by the principal Government departments and charities. The market value of Government holdings of Suez Canal shares is given in the Finance Accounts as £39 millions

[1] See *Government Departments Securities*, Cmd. 291, 1914, and similar returns for previous years. These returns give details of stocks inscribed in the books of the Bank of England on behalf of eighty-five Government Funds in Great Britain.

in 1911–13, the Official Trustees of Charitable Funds held £20–24 millions, the Ecclesiastical Commissioners, £13 millions, the National Health Insurance Funds, £16 millions, and the Supreme Court of Judicature, £47 millions in 1911–13.

The total value of British Government securities of all classes held by British Government departments has been given by the Chancellor of the Exchequer as 'little below £1,000 millions' at March 31, 1925, £940 millions at March 31, 1926, and at £710 millions at March 31, 1931.[1] These figures do not include holdings of stock by members of the public on the Post Office Register; nor British Government securities held by the India Office, the Crown Agents for the Colonies, and the Public Trustee. On the other hand, they include securities held by the Charity Commissioners and the Ecclesiastical Commissioners. The information available from the accounts of the National Debt Commissioners shows that corresponding figures for more recent years would exceed £1,000 millions.[2]

In order to obtain estimates for our purpose of Government securities owned by Government departments and charities, the value of Dominion, Colonial, and foreign Government securities (for example, Suez Canal shares, Anglo-Iranian stock, and Roumanian 4 per cent. bonds) in the possession of Government departments and the value of securities exempt from assessment under Schedules C and D, held by charities independently of the National Debt Commissioners, have been added. On the other hand, we have deducted deposits with the Post Office Savings Bank and the Trustee Savings Banks against which the National Debt Commissioners hold securities.

[1] *House of Commons Debates*, July 15, 1925, February 17, 1927, and May 10, 1932.

[2] N. F. Hall, *Transactions of the Manchester Statistical Society*, 1937, and *Economist*, October 15, 1937.

We have thus estimated the value of all Government securities owned by Government departments and charities at £500–550 millions in 1926–8 and at £575–650 millions in 1932–4.

In Table 7 we show the market values of the securities held by the principal Government Funds in existence at the end of 1928 and 1934. We have not included securities held by the Post Office Savings Bank (£355 millions, including annuities, in 1934) or Trustee Savings Banks (£96 millions, including annuities, in 1934), funds available in the Exchange Equalization Account stated to be £375 millions at March 31, 1935, or investments of the British Broadcasting Corporation or the Central Electricity Board which, for our present purpose, are considered not to be publicly owned. The market values of the securities have been calculated from the details given in the accounts of the various funds, but this has not been possible for securities held by the Commissioner of Crown Lands for 1928 or held by the Supreme Court of Judicature for 1928 and 1934. The funds of the Supreme Court are almost wholly held on behalf of suitors and are in part liable to income-tax. Certain stocks and bonds, as prescribed by the Treasury in accordance with powers conferred by the Finance Acts of 1917 and 1918, are accepted in payment of death duties. The volume of securities tendered has fallen in recent years, when the market prices of the securities were higher than the prices at which they are accepted in payment of duty. Victory bonds have been among the securities tendered in past years, and since these are repayable only by annual drawings, the National Debt Commissioners still hold a large amount of these bonds. Under the Finance Act of 1928, no interest is payable on Victory bonds tendered in payment of death duties and held by the Commissioners. The par values of these bonds are therefore shown in Table 7.

TABLE 7. *Estimated Market Value of Securities in Government Funds*

(£ thousands)

(Figures are for financial years ending nearest to December 31, 1928, and December 31, 1934)

	December 1928	*December 1934*
National Health Insurance:*		
General Funds . . .	73,985	110,014
Central Fund . . .	1,697	4,489
Treasury Pensions Fund . .	42,791	25,253
Post Office Fund . . .	..	2,309
Crown Lands . . .	3,363	3,046
Suez Canal shares . . .	72,259	93,200
Bonds tendered for death duties	95,170	121,687
Supreme Court of Judicature .	51,811	50,130
Unemployment Insurance Fund	..	10,900
National and John Buchanan Funds	536	729
Elsie Mackay Fund † . .	521	888

* Figures for National Health Insurance include only funds invested by the National Debt Commissioners. They do not include funds invested by Approved Societies on their own account other than with the National Debt Commissioners.

† The Elsie Mackay Fund was constituted in 1929 in trust for reduction of the National Debt.

Before the War Sir L. G. Chiozza Money estimated the value of the Post Office with its telegraph and telephone services at £60 millions—'only 15 years' purchase' of their profits.[1] If we use the same number of years' purchase as for municipal undertakings in the previous section, the corresponding totals for the Post Office would be £130–170 millions in 1926–8 and £220–270 millions in 1932–4, but from these totals must be deducted the value of land and buildings already included above as real property of the Crown. These totals may not be considered unreasonable in view of the method of calculating trading profit in the Post Office Com-

[1] Sir L. G. Chiozza Money, *Riches and Poverty*, p. 60.

mercial Accounts and the revaluations recently made of the capital assets of the telegraph and telephone plant of the Post Office. The replacement cost of the telegraph and telephone plant, excluding other equipment possessed by the Post Office, was estimated at £151½ millions in April 1935, based on a special revaluation made by officers of the Post Office of external plant at March 31, 1929, and of internal plant at September 30, 1933.[1] Replacement cost is not from our point of view a satisfactory basis of valuation. For example, the plant of the telegraph services was valued at £7 millions at replacement cost in April 1935, but this service of the Post Office has shown a loss in every year since the War. The same objection does not apply with equal force to the telephone service, but it still remains true that any valuation we attach to the Post Office must be of a conventional character.

The Post Office is the largest undertaking owned by the State, but the State also possesses a number of manufacturing and trading undertakings of various kinds. According to returns made for purposes of the Census of Production, the number of persons employed in manufacturing establishments alone of Government departments (including the Post Office) was 66,000 in 1907, 96,000 in 1924, and 102,000 in 1935. The principal undertakings of the State (excluding the Post Office) were the Naval dockyards and other branches of the Admiralty, in which 43,000 were occupied in 1935, the Ordnance factories of the Defence services, the Forestry Commission, the State Management Districts, the Mint, and the Stationery Office. The Stationery Office operates six printing and binding works, in addition to maintaining sales offices.

In the Accounts of these undertakings, the value of

[1] *Post Office Commercial Accounts*, 1934 (Report of the Comptroller and Auditor-General).

their plant is shown at original cost, less depreciation, as approved by the Comptroller and Auditor-General. We have taken the total of these values for all the undertakings as the minimum total we ought to assume as the value of these undertakings.[1] We have also attempted to capitalize the income of each undertaking at the same number of years' purchase for approximately similar classes of undertakings in private ownership. We obtained, as was to be expected, by this method a higher total than the book value of the plant of these undertakings. We have preferred to use the results obtained by this method so long as they revealed no outstanding difference from the book value of the plant of the undertakings. After consideration of the results obtained, we have taken the value of the Post Office, Ordnance factories, and trading undertakings of the State at £80–100 millions in 1911–13, £170–220 millions in 1926–8, and £240–300 millions in 1932–4.

The difficulties of arriving at satisfactory estimates of public property are most serious in regard to armaments and roads. While we were reasonably safe in valuing the trading services of the State as ordinary trading and manufacturing undertakings, a similar method cannot be adopted for battleships, guns, or tanks. Before the War Sir L. G. Chiozza Money took the capital value of the ships of the Navy at £114 millions,[2] and on that basis presumably higher totals might be warranted for the post-war years. Since, however, it would be impossible to justify on any satisfactory basis any estimates we made, we have decided to omit from our figures of public property any estimate of the value of armaments. It may

[1] See Trading Accounts and Balance Sheets of Trading or Commercial Services conducted by Government Departments, Royal Ordnance Factories Accounts, Naval Dockyard Accounts, and Postal, Telegraph, and Telephone Services Commercial Accounts.

[2] Sir L. G. Chiozza Money, *Riches and Poverty*, p. 40.

be commented, from one point of view, that to omit armaments from public property is, at the time of writing, to omit just those kinds of public property which safeguard the existence of other property and therefore ought to be included in priority to all other kinds of property. On the other hand, it might be argued that whatever value armaments have is already included in the value of other property, or, indeed, the possession of armaments may lead to political commitments which may endanger the existence of other property. Our decision to exclude armaments from public property is made solely on the grounds of obtaining a satisfactory basis for their valuation.

The debts of local authorities in respect of roads were £64 millions in 1911–13, £102 millions in 1926–8, and £126 millions in 1932–4. Since, however, roads are, to a large extent, paid for by grants from the Government out of revenue, these totals must understate considerably the cost of roads in Great Britain. In 1905 Sir L. G. Chiozza Money estimated the value of roads in the United Kingdom at £5,000 per mile—a total of £600 millions for 22,000 miles of main roads and 97,000 miles of minor roads. Higher figures would, no doubt, be justified on that basis for post-War years when, according to the Salter Committee, the annual cost of roads has risen from £12 millions before the War to £60 millions, and the mileage of Class I and Class II roads has increased to 44,000 and of unclassified roads to 134,000.[1] It is, however, impossible to find any satisfactory basis of valuation except on cost, and we have therefore omitted the value of roads from our estimates of the value of public property.

Lord Stamp in his estimates did not include the full value of roads, not because of the difficulty of estimation

[1] *Report of the Conference on Rail and Road Transport* (Ministry of Transport), 1932, p. 8.

but because he argued that the value of roads had already been taken into account in finding the value of adjacent houses, buildings, and other property of private persons and corporate bodies.[1] He writes, 'in so far as the property is directly served, it is enhanced in worth by the present value of the services rendered by the roads which have been made and paid for in the past.' He restricts the argument later to minor roads and concludes, 'there is very probably a surplus or national value over and above the individual values in main roads, taken as a system'. 'It is very difficult to escape the conclusion that a large part of public expenditure serving specific properties must be valued in the valuation of those properties.' Even if Lord Stamp's argument is accepted, it seems almost impossible to decide what proportion of public expenditure on roads can be said to be included in the values of adjacent houses, buildings, and other property.

Property of Local Authorities.

We have to make here an addition for the property of local authorities in excess of their capital value already estimated in section A from assessments on real property under Schedule A or on 'interest secured on rates' under Schedule D. The outstanding loan debt of local authorities in Great Britain, excluding debt in respect of trading services, highways, and housing, amounted to £196 millions in 1911–13, £236 millions in 1926–8, and £312 millions in 1932–4. The loans had been raised for the acquisition of buildings, such as libraries, art galleries, town halls, schools, and hospitals, and of parks, playing fields, and other land. The present value of the property will probably be greater than the outstanding debt on such property because of repayments of loans, gifts of capital assets, and purchases of property out of current

[1] Lord Stamp, *British Incomes and Property*, pp. 403–4.

revenue. Thus an analysis of the accounts of 56 county and municipal boroughs in Great Britain for 1931 showed property valued at £55 millions against which no loan debt was outstanding.[1]

Interest from loans secured on rates amounted to £6,700,000 in 1910–11, but corresponding figures have not since been published by the Inland Revenue. In estimating the net assessments on local authorities in section A we took interest secured on rates at £10–15 millions in 1926–8 and £12–18 millions in 1932–4. Since these figures were multiplied by the reciprocals of the current yields on municipal stocks and the capital values obtained were included in section A as part of the property of local authorities, the additions we are left to make here are relatively small. We have taken £50–75 millions in 1911–13, and £100–125 millions in 1926–8 and 1932–4 to cover the unassessed property of the non-trading services of local authorities.

The total value of public property (excluding armaments and roads) not assessed for income-tax was thus £355–485 millions in 1911–13, £810–975 millions in 1926–8, and £965–1,175 millions in 1932–4.

c. *Total Public Property*

In this chapter we have attempted to make estimates of the value of public property before and after the War. Our final estimates are £975–1,225 millions for 1911–13, £1,950–2,590 millions for 1926–8, and £2,455–3,325 millions for 1932–4.

These figures relate to the aggregate value of assets owned by the State, local authorities, and charities separately. No allowance has been made for such duplication as results, for example, from the investments of charities being in Government securities or in loans to

[1] *Stock Exchange Official Intelligence*, 1932, and Accounts of individual local authorities.

local authorities. What constitutes property has been considered in turn from the point of view of the State, the local authorities, and charities in the same way as we defined private property. The value of the property of the State has then been added to the value of the property of local authorities and of charities. It should be noted that the estimates we have made exclude securities held by local authorities, for which no information is available, and we have omitted any estimates of the value of armaments and roads, for which we were unable to obtain any satisfactory basis of valuation.

TABLE 8. *Estimated Value of Public Property of Great Britain*

(Figures exclude the value of armaments, roads, and of securities held by local authorities)

(£ millions)

	1911–13	*1926–8*	*1932–4*
Total	1,100 ± 125	2,270 ± 320	2,890 ± 435
Land and buildings	210 ± 25	530 ± 100	620 ± 130
Government securities	255 ± 35	580 ± 30	790 ± 65
Other property	635 ± 65	1,160 ± 190	1,480 ± 240

V

THE RELATIVE IMPORTANCE OF PUBLIC AND OF PRIVATE PROPERTY

WE now have all the information needed to compare the distribution of public and of private property before and after the War. In the first section of this chapter we compare the estimates we have made of the value of property in private hands, total private property, and public property. In the two following sections we give details of the kinds of property owned by the State, local authorities, and charities and, secondly, of the kinds of property owned by private persons.

A. *Public and Private Property*

The estimates we have made in previous chapters relate to different forms of ownership of property in Great Britain. In Chapter II the value of property in private hands was calculated from estate duty returns, using general and social class mortality rates. (For comparison with the value of total private property and of public property in this chapter we shall, however, use only the value of property in private hands estimated on the basis of social class mortality rates.) We have already given reasons for our opinion that estimates made by the Estate method give only the minimum value of property in private hands, and we have shown why the value of property in private hands must be always less than the value of total private property. The Estate method would only be more reliable if no one distributed any of his property before death, and if the whole of his property were valued at death on the assumption that his estate had not fallen in value as a result of his death. On the other hand, the estimates made in Chapter II give, more correctly than those made in Chapter III, the value of property actually

belonging to private persons and capable of absolute individual disposal. In Chapter III we have attempted to arrive at estimates of total private property by capitalizing the income from property which accrues to private persons individually and corporately. These estimates are therefore higher than those in Chapter II, since they include property not assignable in definite proportions between individuals, such as the property of clubs, co-operative and friendly societies, and institutions not recognized as charities.

The differences between the estimates we have actually obtained by the Estate and the Income methods are, however, not wholly explained by the existence of such corporate property. Our estimates of property in private hands and of total private property are both subject to considerable error, and differences were to be expected on that account alone. It is possible, however, to some extent to explain such differences which have occurred or at least to reduce them to reasonable proportions. For example, the mean estimates of property in private hands and of total private property in 1932–4 were £18,985 millions and £22,670 millions respectively. In the total of £22,670 millions, however, £330 millions was allowed in Chapter III to cover the capital value of income of trading undertakings and of Dominion and foreign securities and possessions evading assessment for income-tax (and therefore also likely to be omitted in market valuations of the securities or escaping valuation for estate duty purposes), and as the excess of the value of household goods and movable property over their values estimated from estate duty returns. If this amount is added to £18,985 millions, the value of property in private hands is increased to £19,315 millions.

This total is, however, still likely to be too low compared with total private property. (1) Any decline in the value of property by reason of the death of the owner

is taken into account in valuations for probate. The value of investments in a business of which the deceased was the sole proprietor or in which he was a partner or was holding an important executive position, may be seriously affected by his death. The value of property in private hands which depends wholly or largely on personal labour or ability is, therefore, likely to be understated in our estimates. (2) Immovable property situated outside Great Britain belonging to persons resident in this country[1] and property of certain grades of soldiers, sailors, and airmen are excluded from the estate duty returns and, therefore, from our estimates of property in private hands. (3) Annuities are wholly excluded from the estate duty returns since they generally cease at the deaths of the recipients. Insurance policies are, however, included at their matured values. Sir George Knibbs estimated for Australia that the inclusion of insurance policies at their matured values, instead of their surrender values, in the estate duty returns, and the omission of life annuities, resulted on balance in the private wealth of Australia in 1913, when estimated by the Estate method, being overstated by 4 per cent.[2] In view of the great increase in superannuation and pension schemes since before the War in Great Britain, it may be that the addition to be made to property in private hands for the value of terminable annuities may exceed the deduction to be made from our estimates for the inclusion of insurance policies at too high a figure. (4) No allowance has been made for evasion in the estate duty returns or for under-valuation except in the case of household goods and movable property. Sums not exceeding £100 in amount standing in the name of deceased persons may,

[1] The Finance Act, 1936, provided that the exemption from estate duty which had hitherto existed, in the case of property situated out of Great Britain, should cease so far as it related to property passing after July 15, 1936.

[2] Sir George Knibbs, *The Private Wealth of Australia and its Growth.*

by special statutory authority, be paid out by friendly and provident societies without the formality of representation.[1] Since the opportunities of evasion are so numerous and the work involved in checking the valuations of small estates is so great and costly compared with the low rates of duty imposed on small estates, it is likely that some evasion and under-valuation occurs, but obviously the extent is not known. On the other hand, our estimates of total private property may be too high since in Chapter III we assumed that the profits of trading undertakings of local authorities were all paid out as interest on loans and mortgages. Since obviously the trading services of many local authorities are able to make profits in excess of interest paid on their capital, our estimates of total private property should be lower. It appears, in fact, reasonable to take the mean value of total private property at £22,550 millions in 1932–4 and to compare this total with an estimated mean value of property in private hands at not less than £20,000 millions.

Part of the difference between these amended estimates of property in private hands and total private property must still be due to the inadequacy of our statistical calculations. Total private property must, however, be greater than property in private hands, since it includes property belonging to private persons corporately and not capable of absolute individual disposal. It includes, for example, property belonging to clubs, Livery companies, co-operative, friendly and provident societies, mutual assurance companies, and semi-public organizations, such as the British Broadcasting Corporation, over and above any property of these bodies owned by particular individuals, and also any excess of the value of property of private and joint-stock companies over the

[1] Sir Alfred W. Soward and W. E. Willan, *The Taxation of Capital*, give a list of twenty-four Acts of Parliament which give statutory powers for this purpose.

value of securities of such companies held by private persons. The range of error in our estimates does not permit us to give any reasonable figures for the value of the large amount of such property owned corporately by private persons.

When estate duties were introduced on estates of private persons passing at death, an equivalent Corporation duty of 5 per cent. a year was imposed on the annual income from property which, 'being vested in corporate or other permanent bodies or being subject to permanent trusts was so held as not to be liable to death duties'.[1] Obviously if no exemptions had been granted from payment of this duty it would have been possible to obtain the value of private property held corporately. Owing to the numerous exemptions granted, the total income paying Corporation Duty in 1932–4 was only £2 millions, consisting mainly of the income of the City Livery companies and the Inns of Court. Even at 25–30 years' purchase, the value of the property paying duty would only be £50–60 millions, which accounts for a small part of the difference between our estimates of property in private hands and total private property.

TABLE 9. *Estimated Value of Public and of Private Property in Great Britain*

(£ millions)

	Property in private hands	*Total private property*	*Public property*
1911–13	9,905 ± 595	11,990 ± 900	1,100 ± 125
1926–8	18,640 ± 540	22,300 ± 1,190	2,270 ± 320
1932–4	18,985 ± 900	22,670 ± 1,860	2,890 ± 435

Public property for our purposes was taken in Chapter IV to be owned by the State, by local authorities, and

[1] Although the Corporation Duty was apparently intended to be a duty upon corporate property equivalent to the death duty on private estates, it has not been increased since 1885 (*House of Commons Debates*, April 30, 1885).

charities. Our estimates of the value of public property given in Table 9 must be considered as stating only the minimum value of public property, since they exclude Government securities held by local authorities, and armaments and roads. For 1932–4—the latest years for which complete details are available—the amount of public and of private property can be approximately given (means of estimates only): (1) property in private hands, capable of absolute individual disposal, £20,000 millions; (2) total private property held by private persons individually or corporately, £22,550 millions; and (3) public property owned by the State, local authorities, and charities (excluding Government securities held by local authorities, armaments and roads) at a minimum value of £2,890 millions. These totals would be higher for more recent years than 1932–4. Thus the mean value of property in private hands was estimated in Chapter II at £20,535 millions in 1936, using social class mortality rates, and the total would be raised to about £21,000 millions if we made additions, similar to those for 1932–4 above, for evasion and undervaluation.

Proportion of Property in Public and in Private Ownership.

Notwithstanding the limitations we attach to the estimates in Table 9, it is clear that the bulk of property of Great Britain is privately owned and subject to individual rights of ownership. On the other hand, large amounts of property are held corporately by private persons and held collectively as public property. Measured by the value of property in their possession, public property owned by the State, local authorities, and charities was at least 10–16 per cent. of total private property in 1932–4 and a higher percentage of property in private hands; these proportions would be larger if we had been able to include all the property in public ownership under public property. The corresponding proportions of public

property to total private property were 7½–11 per cent. in 1911–13 and 8–12½ per cent. in 1926–8. They suggest that public property has been increasing relatively to private property since before the War.

But it is not possible by this method of comparison of public and private property to make any estimate of the proportion of the total property of the country in public ownership, since by definition the addition of private property and of public property is greater than the total property of Great Britain. Moreover this method of comparison ignores the fact that most of the property of the State and local authorities is in effect mortgaged to private persons. The market values of the debts of the State and local authorities have been included as private property; the assets against which these debts should in part at least be set off have been counted as public property. This duplication prevents any immediate comparison as to the changing proportion of total property of Great Britain in public and in private ownership before and after the War. Two alternative methods of comparison for this purpose can be suggested. The first would be to include National Debt securities and loans to local authorities as private property, and to count any excess of the value of property of the State, local authorities, and charities over the market or par value of these securities and loans as public property. This method cannot, however, be used if only because both the market value and the nominal value of National Debt securities are now much greater than the value of property held by the State. Only the second method is possible. This method is to compare the value of physical assets and overseas investments in public and in private ownership. We are thus able to compare the character of ownership at the source of income from the property.

For this purpose the market values of British Government securities and loans to local authorities have been

deducted from our estimates of total private property. From public property we have deducted Government securities held by Government departments and by charities and loans to local authorities held by charities. (It will be remembered our figures of public property already excluded Government securities held by local authorities.) The additions of our amended figures of total private property and of public property give the values of total property of Great Britain, including investments abroad, which we can use as bases for calculating the proportion of total property in public and private ownership.

Measured in this way, public property amounted to 6–8 per cent. of the total property of Great Britain in 1911–13, 7–11 per cent. in 1926–8, and 8–12 per cent. in 1932–4. These percentages would be increased if we had been able to include armaments and roads in our estimates of public property. Thus, for example, if the value of armaments and roads was £500 millions in 1932–4, the proportion of public to total property would be 10–15 per cent.; it would be 11–17 per cent. if £1,000 millions was taken as the value of armaments and roads. Further, it should be remembered that public property, as we defined it in Chapter I, excludes property held by 'public corporations'. The total capital used by the three biggest public corporations—the British Broadcasting Corporation, the London Passenger Transport Board, and the Central Electricity Board—was about £150 millions in 1934. If the property of these three undertakings had been included as public instead of private property, the proportion of public to total property in 1932–4 would be increased from 8–12 per cent., as given above, to 8–13 per cent. Thus, measured by the value of physical assets and overseas investments owned, at least one-tenth (using the mean of our estimates) of the total property in 1932–4 was in public ownership. Even if our definition of

public property had been widened to include the property of the largest public corporations and we included a generous estimate for the value of armaments and roads, the proportion of public property was not likely to be less than one-seventh. Comparison with pre-war years is rendered difficult because of the change in prices and the change in the capital values of different kinds of property, but our figures show that the proportion of public property has been increasing gradually. Indeed, the rise in public property may have been greater than our figures would suggest, in view of the heavy expenditure on the building of roads since the War as a result of the development of road transport and the post-War development of the public corporations.

Our estimates do not permit us to show whether there has been, in addition to the growth of public property, any corresponding increase in property held by private persons corporately other than for charitable purposes. The proportion of property in private hands to total private property as shown by our estimates has not changed to any great extent since before the War. On the other hand, total private property has declined from 92–4 per cent. of the total property of the country in 1911–13 to 89–93 per cent. in 1926–8 and 88–92 per cent. in 1932–4. These percentages relate to the value of physical assets and overseas investments from which the income at the source accrues to private persons, individually or corporately. They do not include property from which the income accrues to charities. These percentages would of course be less if we had not included the property of public corporations in private property, and if roads and armaments had been included in the estimates of public property and of total property of the country. These figures show clearly that the bulk of property of Great Britain is in private ownership. In addition to private property owned corporately, between

three-quarters and four-fifths of the total property of the country is subject to individual rights of ownership by private persons.

B. *Kinds of Property in Public Ownership*

The growth of public property since before the War has been perhaps most marked in the increase in the funds held by Government departments, mainly on account of social security schemes, and in the acquisition of land and erection of houses by local authorities. The State, local authorities, and charities possess many different kinds of property.

State Property.

The principal kinds of property owned by the State are the hereditary landed estates of the Crown, Government securities held by Government departments on behalf of social security schemes, and the undertakings operated by the State for reasons of public interest, such as the Post Office, the printing and binding works of the Stationery Office, and the naval dockyards and ordnance factories of the Defence services. In addition, the State also possesses a number of small undertakings and investments acquired for special purposes.

The Commissioners of Crown Lands have charge of the hereditary estates of the Crown, the revenues of which were surrendered to Parliament under the Civil List Act. Exclusive of foreshores and areas in which the Crown owns the minerals but not the surface, these estates consist of 259,500 acres, of which 135,000 acres are agricultural land, 14,500 acres under growth of timber, and 80,000 acres are unenclosed wastes, subject to common rights. In addition the land in the possession of the Duchy of Lancaster extends to 18,000 acres, and in the possession of the Duchy of Cornwall to 133,400 acres, of which, however, a large proportion is waste and woodland.

The Post Office took over postal, telephone, and telegraph services which were formerly under private ownership, and the development of these services under public ownership has made the Post Office the largest trading undertaking of the State. The capital investment of the Post Office is in engineering plant and stores for telegraph, telephone, and electric lighting services, in land and buildings, and in the Post Office (London) Railways. This investment at original cost, less depreciation, amounted to £164 millions at March 31, 1937.[1] The Stationery Office operates six printing and binding works for the production of official publications, in addition to maintaining sales offices. The value of work done by the printing and binding establishments, valued at 'what the same work would have cost, had it been done by contractors', was £592,000 in 1936–7. The gross output of manufacturing establishments of the Admiralty, War Office, Air Ministry, Office of Works, and Ordnance Survey Department was valued at £19 millions in 1935–6. Of the total, work done by naval dockyards and ordnance depots, mainly engaged in repairs of war vessels and in the supply of stores and ammunition, accounted for £13 millions. The Royal Army clothing factory has been closed, but the Army Ordnance factories and workshops in 1935 employed 14,200 persons, whose output was valued at £3¾ millions.

During and immediately after the War the State acquired a number of different kinds of property. State management of the liquor trade in the districts of Carlisle, Gretna, and Cromarty Firth was established in 1915, and was continued under the Licensing Act, 1921. The number of licensed premises and businesses in these districts owned by the State is at present 215, under the administration of the Home Secretary in England and the Secretary of State for Scotland in Scotland. The

[1] *Post Office Commercial Accounts*, 1936, p. 15.

Small Holdings Colonies Acts, 1916 and 1918, empowered the Ministry of Agriculture and Fisheries to acquire up to 60,000 acres for the settlement of ex-service men on the land in England and Wales. The Ministry was also empowered to receive gifts for the same purpose. 26,500 acres were acquired, of which more than half have been sold or transferred to County Councils. 8,100 acres are let by the Ministry in small holdings, mainly in Lincolnshire. In Scotland 148 lots of land were similarly acquired by the Department of Agriculture for the use of small holding colonies. The Forestry Commission was established in 1919 with the object of 'creating reserves of standing timber sufficient to meet the essential requirements of the nation in time of national emergency and also of providing against a shortage of timber when the virgin forests of the world have been exhausted'. The area of plantable land held by the Commission is now 576,000 acres. The total area under plantation is 356,000 acres, of which 289,000 acres were planted by the Commission. Among other undertakings held by the State are a mussel cleansing station at Conway, stud farms, seed testing and wool disinfecting stations, and a share in the phosphate undertakings under the control of the British Phosphate Commission of the Government of the United Kingdom, Australia, and New Zealand.[1]

We have already given in Chapter IV details of the increase of the funds held by Government departments. The largest of these funds consists of Government securities held on behalf of social security schemes or for purposes of the reduction of the National Debt. The State also has investments in British and foreign undertakings not operated by British Government departments. These investments are in the Suez Canal Company, of which it holds 39 per cent. of the outstanding shares, the

[1] Trading Accounts and Balance Sheets of Trading or Commercial Services conducted by Government Departments.

Anglo-Iranian Oil Company, of which it has more than half the voting power, Cable and Wireless, Limited (£2,600,000), and Imperial Airways, Limited (£25,000 deferred shares). The British Government has the right to nominate or appoint directors to the Suez Canal Company, Anglo-Iranian Oil Company, and Imperial Airways, Limited, and must approve of two of the directors of both the operating and holding companies of Cable and Wireless, Limited. Although it has no financial investments in the companies, the Government appoints directors to eighteen other companies operating under the Trades Facilities Acts or under partial supervision by Government departments.[1]

Although they are not strictly to be regarded as an extension of public ownership, the Central Electricity Board, the British Broadcasting Corporation, and the London Passenger Transport Board represent important developments of public enterprise. These public corporations are constituted as semi-autonomous undertakings removed from direct political control and, in the case of the Central Electricity Board and the London Passenger Transport Board, raising their capital themselves by public issue of stocks and shares.[2]

Local Authorities.

The London Passenger Transport Board might, from one point of view, more properly be considered as an extension of municipal trading than as a new development in State enterprise. For example, the London Passenger Transport Board now operates the tramways formerly under the control of the London County Council. Local

[1] *House of Commons Debates*, May 16, 1938, and June 2, 1938, and E. Davies, *Political Quarterly*, vol. ix, no. 3 (1938).

[2] For recent literature on the growth of public enterprise, see M. E. Dimock, *British Public Utilities and Natural Development*, W. A. Robson (editor), *Public Enterprise*, and T. H. O'Brien, *British Experiments in Public Ownership and Control.*

authorities have always operated a large proportion of the tramways undertakings in Great Britain and an increasing number of road passenger transport services have more recently come under their control.

TABLE 10. *Ownership of Public Utilities in Great Britain*

Public utilities	Unit of measurement	Years	Local authorities or public bodies: Output	Local authorities or public bodies: Per cent. of total	Private Enterprise: Output	Private Enterprise: Per cent. of total
Gas	Sales in thousand-million cubic feet	1911–13	71·3	36·3	125·2	63·7
		1926–8	101·1	36·1	178·7	63·9
		1932–4	102·3	35·5	185·6	64·5
Electricity	Sales in million units	1907	887	53·4	775	46·6
		1926–8	4,425	64·2	2,465	35·8
		1932–4	7,395	63·9	4,174	36·1
Water	Sales in £000	1907	8,341	79·5	2,148	20·5
		1924	16,532	80·5	4,013	19·5
		1935	19,273	78·8	5,225	21·2
Tramways *	Million passengers carried	1913	2,634	79·8	468	20·2
		1926–8	4,045	88·0	552	12·0
		1932–4	2,558	92·9	196	7·1
Road passenger transport *	Passenger receipts in £000	1932	9,020	15·4	49,497	84·6
		1936	28,920	44·2	36,647	55·8

* Figures for local authorities include those for London Passenger Transport Board, set up in 1932.

Local authorities account for one-third of the gas produced in Great Britain, two-thirds of the output of electricity, four-fifths of the supply of water, and (including the London Passenger Transport Board) nine-tenths of the declining tramway services and about one-half of the developing road passenger transport services. As Table 10 shows, there has been relatively no extension of the scope of municipal trading in water or gas since before the War. Indeed, the recent absorption of some municipal gas undertakings into holding companies has meant a decrease in the proportion of gas supplied by local authorities.[1] On the other hand, local authorities have always

[1] P. Chantler, *The British Gas Industry*, pp. 51–2.

been responsible for a greater share of the output of electricity. Since consumption of electricity has increased to a greater extent than consumption of gas since the War, a larger proportion of the supply of heating, lighting, and power is in the hands of local authorities than before the War. The decline in municipal tramways has been slower than in those under private ownership, but local authorities account for an increasing proportion of road passenger transport services. The increase in the percentage in Table 10 from 15·4 in 1932 to 44·2 in 1936 is due only in part to the inclusion of services operated by the London Passenger Transport Board with those of local authorities.

Docks and market facilities are mainly owned by local authorities, and the Port of London Authority, formed in 1908 to merge the interests of municipalities and of private persons in the London area, was in many ways a precedent for the London Passenger Transport Board twenty-five years later. Under statutory powers, local authorities since the War have made great improvements in the amenities of sea-side resorts under their control. Although not directly part of the trading activity of local authorities themselves, the development of tourist traffic has occupied a prominent place in the work of many authorities.

Perhaps the most outstanding development of the post-War period has been the erection of houses and flats by local authorities. Before the War it is estimated that local authorities owned only about 1 per cent. of the total number of houses in England and Wales; in 1937 the percentage was 8–8½ per cent. This was less than in 1930, for during the building boom since 1930 more houses have been built by private persons than by local authorities.[1] Many authorities have purchased large areas of land for

[1] These percentages are based on information given in *Rents of Houses and Flats owned by Local Authorities*, Cmd. 5527 (1937).

the erection of houses, and have become in fact large landowners in their own areas. The City of Manchester, for example, in addition to land held outside the city, owns more than one-third of the land within its own boundaries.

Of the non-trading services of local authorities perhaps the most important is the provision of schools and educational facilities. The year 1933 was the centenary of the first State grant to education, and the century which had elapsed had been a period of great extension of the powers of the State and local authorities in the ownership and control of educational institutions. Before 1833 most schools were owned by private persons or religious bodies. In contrast, almost all public elementary schools in England and Wales—20,938 in 1937—are now maintained by local education authorities; nearly half of these schools have been built by local authorities. 867 out of 1,393 secondary schools in England and Wales in receipt of State grants are maintained and provided for by County Councils and County Borough Councils. The total number of pupils on the registers of elementary and grant-aided secondary schools in England and Wales at March 31, 1937, was 5,676,000, of whom 5,187,000 were aged 5–14 and 455,000 aged 14 and over. The number of private schools in England and Wales is stated to be approximately 10,000, containing 350,000–400,000 pupils of all ages.[1] In Scotland the number of scholars on the registers of primary and secondary schools in 1934 was 845,000 of all ages.[2] The great majority of these schools in Scotland are provided by the thirty-five local Education Authorities in the country.

[1] *Education in 1937* (Cmd. 5776), *An Outline of the Structure of the Educational System in England and Wales* (Board of Education Educational Pamphlets, no. 94), and *Report of the Departmental Committee on 'Private Schools'* (1932).

[2] Scottish Educational Pamphlets, no. 1. *Administration of Public Education in Scotland.*

Parks, art galleries, and museums are mainly owned by local authorities, and have been acquired either by gifts to the authorities by private persons or by purchase. The provision of adequate hospital facilities still depends to a large extent on private support given to voluntary hospitals. In 1936 the number of voluntary hospitals in Great Britain was 1,033, with a total of 84,901 beds. 116 general public hospitals and 523 poor law hospitals and sick wards had 79,905 beds. Voluntary hospitals treated 1,321,000 new in-patients during the year, and public hospitals 802,000 new in-patients. In addition, local authorities provided 222 sanatoriums for treatment of tuberculosis, 112 maternity homes, and 1,055 institutions for isolation and treatment of small-pox and other infectious diseases.[1] Among special kinds of property held by certain authorities is the municipal bank of Birmingham. In 1936, the total deposits of the 411,000 accounts with this bank amounted to £21 millions.

Charities.

The total number of endowed charities in England and Wales under the supervision of the Charity Commissioners and the Board of Education is estimated at approximately 90,000.[2] While this number includes educational charities and the charities of the London Livery companies, it does not include the Ecclesiastical Commissioners or universities which are recognized as charities for income-tax purposes. Endowed charities are those entitled to property, real or personal, the capital of which is settled upon permanent trusts and the income only from such capital is applicable for charitable purposes. Many of the endowed charities under the supervision of Charity

[1] *Hospitals Year Book* and *P.E.P. Report on the British Health Services*, pp. 256–7.

[2] *Annual Reports of the Charity Commissioners for England and Wales* and *Report of Home Office Departmental Committee on the Supervision of Charities*, Cmd. 2823 (1927).

Commissioners are small, and in recent years a number of the small charities have been merged into larger units. While therefore there seems every reason to believe that there has been an increase in charities since before the War, it is not possible to measure this growth merely by the number of charities in existence before and after the War.

The principal kinds of property held by charities consist of land and buildings. No details of such property are available, but from assessments for Schedule A purposes it may be inferred that the value of land and buildings in the possession of charities is likely to be at least £150–200 millions for Great Britain. The Ecclesiastical Commissioners own 240,000 acres of land, the Universities of Oxford and Cambridge, 290,000 acres, and the National Trust, 54,500 acres. In 1937 there were 9,068 Church of England schools in England and Wales. Prior to the enactment of the Tithe Act, 1936, more than £2,700,000 out of the total of £3,100,000 tithe rent-charge payable each year in England and Wales was due to the Church of England, the Welsh Commissioners, the Universities and Colleges of Oxford and Cambridge, and charitable foundations.

There have been in recent years considerable sales of charity land. Between 1926 and 1934 the proceeds of these sales by endowed charities in England and Wales under the Charity Commissioners amounted to £6 millions. This money has been mainly reinvested in Government securities on behalf of the charities by the Official Trustees of Charitable Funds. All charities do not have accounts with the Official Trustees, but the nominal value of the securities, held by the Official Trustees, amounted to £85½ millions at the end of 1934. These securities were held on behalf of 58,650 accounts, and consisted mainly of Government securities.

At the end of 1937 the Ecclesiastical Commissioners had £63 millions and the Queen Anne's Bounty £17

millions in Government and other securities (excluding £37 millions invested by the Queen Anne's Bounty in respect of compensation for tithe rent-charge extinguished under the Tithe Act, 1936). No details are available of the aggregate investments of universities, but according to the reports of the Universities Grants Committee, the income of universities (excluding the Colleges of Oxford and Cambridge) from Government and other securities has amounted to nearly £1 million per annum in recent years.

c. *Kinds of Property in Private Ownership*

The kinds of property held by private persons individually differ according to the age and sex and, more particularly, according to the size of their estates. Thus, the estate duty returns show that persons with £1,000 or less, especially men, hold a larger share of their property in the form of insurance policies than persons with more than £1,000. Again, investments of persons under 55 are mainly in insurance policies and in houses rather than in stocks and shares and land, which are held to the greatest extent by older people with large estates. In Table 11 (p. 104) we have classified, according to the size of their estates, the kinds of property passing at the death of persons leaving more than £100 each in 1936.

Those who die in any year are mainly older people and it cannot be inferred therefore that the figures in Table 11, which are based on estate duty returns, would be exactly the same for persons of all ages in Great Britain and the same for both with more and with less than £100 each. We have therefore estimated the character of the distribution of total property in private hands in Great Britain for recent years, making allowance for evasion in respect of household goods in the estate duty returns, for the inclusion of estates less than £100, and for differences in the kinds of property held by men and women shown

by the inquiries which the Inland Revenue made in 1924 and 1925. According to our calculations, household goods comprised only 3–5 per cent. of the total property in private hands in 1936; house property amounted to 12–16 per cent., and stocks and shares, 25–30 per cent. Only two-fifths of property in private hands consisted of tangible possessions; three-fifths consisted of contractual rights to money payments. This preponderance of stocks and shares among the kinds of property held reflects the increasing separation of the ownership and use of capital and the development of joint-stock companies with limited liability. As Table 11 shows, the larger the estate, the larger is usually the proportion of property held in the form of stocks and shares.

TABLE 11. *Kinds of Property held by Persons in Great Britain dying in 1936*

(Percentages of the total gross capital in each capital group)

	Total (over £100)	*£100 to £1,000*	*£1,000 to £5,000*	*£5,000 to £10,000*	*£10,000 to £25,000*	*£25,000 to £100,000*	*Over £100,000*
Total	100·0	100·0	100·0	100·0	100·0	100·0	100·0
British Government securities issued since 1914	13·8	10·6	16·7	15·1	14·3	13·7	12·2
Other Government and Municipal securities *	7·3	0·7	3·3	6·7	8·8	9·8	8·5
Stocks and Shares	34·8	3·8	13·6	28·4	36·7	44·5	49·1
Cash (including Saving Bank Deposits)	8·4	21·9	14·1	8·6	6·7	5·3	4·7
Money lent on mortgages, bonds, and other securities	8·1	10·2	11·3	10·8	8·8	7·1	5·0
Trade assets	3·2	2·6	3·3	3·0	2·9	1·8	5·2
Insurance policies	3·8	12·1	5·7	3·8	2·9	2·4	2·0
Household goods	1·3	3·2	1·6	1·3	1·2	1·1	0·8
Land, ground rents, and mineral rights	4·0	1·5	3·4	3·1	2·7	3·4	6·9
House property and business premises	12·7	31·1	23·7	16·0	12·2	8·0	3·9
Other property	2·6	2·3	3·3	3·2	2·8	2·9	1·7

* Include British Government securities issued up to 1914 inclusive, British Municipal securities and Dominion and foreign securities (Government and Municipal).

These figures, however, indicate only the distribution of private property considered from the point of view of individuals with investments, and do not show the kinds of property in which their capital is invested. The stocks and shares, which individuals hold as securities, represent land, buildings, and trading assets of establishments engaged in industry, transport, commerce, and finance. In Table 12 we show the distribution of total private property according to the types of physical assets and Government securities in which private persons individually and corporately have their investments. The increase in the National Debt and the issues of British Government securities has altered the distribution of total private property between 1911–13 and 1926–8. Between 1926–8 and 1932–4 the fall in the rate of interest and the higher capital values of fixed interest securities increased the relative importance of Government securities as a proportion of the total of private property.

TABLE 12. *Kinds of Total Private Property in Great Britain*

(Percentages)

	1911–13	*1926–8*	*1932–4*
Total	100·0	100·0	100·0
Land	6·5	3·3	2·7
Houses and buildings	24·5	18·4	20·0
Farmers' capital	2·4	1·9	1·8
British and foreign Government securities	10·0	22·8	28·7
Other Dominion and foreign securities and possessions	11·3	6·3	5·5
Industry, transport, commerce, and finance	40·6	43·0	38·2
Furniture and movable property	4·6	4·3	3·2

Of the different kinds of property, some are more unequally distributed among individuals than others. The number of persons owning coal royalties and way

leaves in Great Britain is about 4,300. More people own Government securities than own land, and the recent building boom has extended the already widespread ownership of houses. It has been estimated for England and Wales that about 80 per cent. of the total number of houses built by private enterprise since the War have been purchased through building societies, and therefore at least one-fifth of the householders own or are purchasing the houses they live in. The last return relating to the ownership of land in the United Kingdom was for 1873 when 1,200 owners held one-quarter of the land in the country.[1] Immediately after the War a large number of estates were sold and between 1919 and 1924 at least 3½ million acres passed into the ownership of their occupiers. At the Census of Agriculture, 1925, about one-quarter of the 400,000 agricultural holdings more than one acre in extent in England and Wales and approximately the same proportion of the total acreage were owned by their occupiers.[2]

[1] F. Purdy, *Journal of the Royal Statistical Society*, 1876, and Major Craigie, *Evidence before Select Committee on Small Holdings*, 1889.

[2] Ministry of Agriculture and Fisheries, *The Agricultural Output of England and Wales*, 1925, p. 96.

VI

THE DISTRIBUTION OF PROPERTY AND OF INCOMES

THE changes which we have described in the character of public and private property need now to be related finally to the changes which have taken place in the distribution of property and of incomes during the past twenty-five years. The increase in public property—in so far as it has provided more equal opportunities for education, general improvements in sanitary, housing, and hospital conditions, more ample means of social security through the creation of organized pensions and insurance funds and facilities for recreational activities—has, in effect, lessened the real inequality of the distribution of property and of incomes between individuals. The bulk of the property of the country is, however, in private ownership. It is, therefore, pertinent to inquire if this lessened inequality of the distribution of property and incomes, due to the increase in public property, has been reduced further, as a result of the more equal distribution of property between individuals and of the falling proportion of total national income derived from property. Inequality of the distribution of incomes is partly due to the unequal distribution of incomes from property; the larger the income, the larger is the proportion of unearned income. A more equal distribution of property between individuals and a smaller proportion of income from property to total national income would mean, therefore, greater equality of distribution of incomes.

A. *Personal Distribution of Property in Private Hands*

The method of estimating the distribution of property among individuals was outlined in Chapter II, and has

been described in more detail in 'The Distribution of National Capital'.[1] The method is to multiply the number and value of estates passing each year classified according to age- and sex-groups by the reciprocals of the appropriate general and social class mortality rates for each group. Such estimates have been made for England and Wales for 1911–13, 1926–8, and 1936, and they are given in Table 13. In comparing the total in this Table with those of Chapter II, it should be noted that the figures in Table 13 exclude property of persons under 25, and any allowance for settled property and for evasion or undervaluation, and that they relate to England and Wales only, since details of the age and sex of persons leaving estates in Scotland are not published by the Inland Revenue.

Owing to the exemptions allowed on the passing of settled property, the amount of property in each capital group over £100 is understated in Table 13. This understatement is likely to be proportionally larger in the higher than in the lower capital groups, and therefore the distribution of property may be more unequal than the figures would suggest. This is especially true for 1911–13, because of the wider exemptions on the passing of settled property before the War. Indeed, if no change had taken place in the personal distribution of property between 1911–13, 1926–8, and 1936, our estimates for the post-War years would show the distribution of property as more unequal than in 1911–13. The figures given in Table 13, however, may be taken as showing the general distribution of property before and after the War in England and Wales.

The scale of wealth is now generally higher than what it was before the War; the increase in the number of people in each one of the groups over £100 has been greater than might have been expected merely on account

[1] G. W. Daniels and H. Campion, op. cit.

TABLE 13. *The Distribution of Property in Private Hands in England and Wales in 1911–13, 1926–8, and 1936*

(Figures relate to persons 25 and over)

	Number of persons		*Amount of property*	
	Cumulative number	*Cumulative percentage*	*Cumulative amount*	*Cumulative percentage*
1911–13	000's		£ millions	
Total	18,745	100·0	6,008–7,005	100·0
More than £100	2,196–2,529	11·6–13·4	5,608–6,305	89·7–93·4
£1,000	558– 635	2·9– 3·3	4,987–5,584	79·7–83·0
£5,000	161– 180	0·8– 0·9	4,021–4,485	64·0–67·0
£10,000	84– 94	0·4	3,423–3,808	54·3–57·0
£25,000	30– 34	0·1	2,548–2,824	40·3–42·4
£100,000	5– 6	0·03	1,378–1,516	21·6–22·9
1926–8				
Total	22,266	100·0	13,996–15,453	100·0
More than £100	4,802–5,311	21·6–23·9	13,466–14,553	94·2–96·4
£1,000	1,334–1,450	6·0– 6·5	11,984–12,933	83·5–85·8
£5,000	369– 397	1·7– 1·8	9,498–10,211	66·0–68·0
£10,000	187– 201	0·8– 0·9	8,076– 8,664	56·1–57·8
£25,000	68– 72	0·3	5,990– 6,416	41·5–42·9
£100,000	10– 11	0·05	3,257– 3,493	22·6–23·3
1936				
Total	25,201	100·0	15,853–17,548	100·0
More than £100	5,915–6,522	23·5–25·9	15,403–16,598	94·6–97·2
£1,000	1,727–1,874	6·8– 7·4	13,604–14,613	83·3–85·8
£5,000	465– 500	1·8– 2·0	10,695–11,458	65·3–67·5
£10,000	243– 261	1·0	8,983– 9,615	54·8–56·7
£25,000	87– 93	0·4	6,427– 6,859	39·1–40·5
£100,000	12– 13	0·05	2,975– 3,155	18·0–18·8

of changes in prices and capital values. Inequality has been lessened, but property is still very unequally distributed. One per cent. of the persons aged 25 and over in England and Wales owned 55 per cent. of the total property in private hands in 1936; in 1926–8, 1 per cent. of the persons owned 60 per cent. of the property, and in 1911–13, 70 per cent. 75–80 per cent. of the total

property in 1936, 80 per cent. in 1926–8, and 85 per cent. in 1911–13 was owned by 5 per cent. of the persons aged 25 and over. On the other hand, in 1936 three-quarters of the adult persons in England and Wales still owned only little more than 5 per cent. of the total property in private hands.

The inequality of the distribution of personal property has been measured in Table 13—as it can only be—on the basis of the legal ownership of property. Yet obviously the benefits arising from possession of property do not accrue to the legal owners of the property alone. Their wives, children, and relations all share to some extent in these benefits. The figures in Table 13 have for this reason been restricted to persons 25 and over in order to exclude juvenile dependants, but it still means that the inequality of the distribution of property is exaggerated in Table 13 in so far as it is the general practice for the whole, or the main part, of the property of a family to be legally vested in one of the parents. There is some reason to believe that this practice has become less general than it was, especially in the case of well-to-do families, now that married women are legally capable of holding property, and if this is true, this may account in part for the reduced inequality of the distribution of property since before the War. Ideally, perhaps, the distribution of property ought to be measured by families, but this is not possible. More than three-fifths of the total property is held by men as legal owners. The average size of estate is less for women than for men, and a more satisfactory basis than Table 13 for the measurement of the inequality of the distribution of property is given in Table 14. There the figures for men and women are shown separately for 1936. It will be seen, however, that there is no marked difference in the inequality of the distribution of property between men compared with the distribution between women.

TABLE 14. *The Distribution of Property in Private Hands among Males and Females in England and Wales in 1936*

(Figures relate to persons 25 and over)

	Number of persons		*Amount of property*	
	Cumulative number	*Cumulative percentage*	*Cumulative amount*	*Cumulative percentage*
MALES	000's		£ millions	
Total .	11,730	100·0	9,524–10,480	100·0
More than £100	3,282–3,634	28·0–31·0	9,299–10,005	95·5–97·6
£1,000	973–1,057	8·3– 9·0	8,287– 8,882	84·7–87·0
£5,000	269– 289	2·3– 2·5	6,630– 7,080	67·5–69·6
£10,000	145– 155	1·2– 1·3	5,707– 6,086	58·1–59·9
£25,000	54– 58	0·5	4,249– 4,516	43·1–44·6
£100,000	8– 9	0·07	2,120– 2,231	21·3–22·3
FEMALES				
Total	13,471	100·0	6,330–7,068	100·0
More than £100	2,633–2,888	19·5–21·4	6,105–6,593	93·2–96·4
£1,000	754– 817	5·6– 6·1	5,316–5,731	81·1–84·0
£5,000	197– 211	1·5– 1·6	4,065–4,378	61·9–64·2
£10,000	98– 105	0·7– 0·8	3,276–3,529	49·9–51·8
£25,000	33– 35	0·2– 0·3	2,178–2,344	33·2–34·4
£100,000	4	0·03	855– 924	13·1–13·5

All that the figures in Tables 13 and 14 show is that the distribution of property, measured by capital values, in 1936 was less unequal than in 1926–8 or in 1911–13. It is impossible to draw any definite conclusions from these figures as to the rate at which the distribution of property is likely to become less unequal in the future. Our inquiries only show the extent to which the diffusion of existing property by taxation has been of greater effect than the development of new sources of wealth and the possibility of accumulating fresh fortunes.

With the growth of joint-stock companies with limited liability, owners of property can avoid the necessity of themselves finding profitable use for their capital, and the task of maintaining large fortunes, apart from the

necessity of providing for death duties, has been made relatively easier in recent years. The necessity of providing for death duties has become, of course, a more serious one. The scale of estate duties has been revised since 1894 from a graduation of 1 per cent. to 8 per cent. to now a graduation of 1 per cent. to 50 per cent. (on estates of more than £2,000,000). During the last few years the Chancellor of the Exchequer has collected more than £80 millions each year from this source. High taxation in the form of death duties, income-taxes, and sur-taxes does tend to reduce the inequality of the distribution of property. That the inequality was not reduced to a greater extent between 1911–13, 1926–8, and 1936 is no proof that such taxes have had little effect. Gifts *inter vivos*, changes in legal residence, formation of trust companies, and other methods of evasion may render the existing rates of death duties less effective than they might otherwise be expected to be. On the other hand, however, the incidence of death duties is made heavier by the fact that property vested in the male parent of a family is often transferred at death to the female parent, and thus may incur payment of death duties (except so far as exempt as settled property) at the deaths of both parents. The likelihood of this happening is due to the fact that men usually marry women younger than themselves, and, in any case, the mortality rates at the same age are higher for men than for women.

The figures in Table 13 have been estimated from returns of the numbers and values of estates passing at death, and the distribution of property has thus been measured in terms of capital values. If the necessary information had been available, the distribution of property might alternatively have been measured in terms of incomes from property, but there is no reason in general to expect the distribution of property measured in that way would have been very different from the distribution

of property measured in terms of capital values as in Table 13. Part of the greater equality of distribution in 1936 compared with 1926–8 in Table 13 may, however, be explained by the fact that British Government securities, which form a less proportion of the value of large estates than of small estates, appreciated more in capital values, on the average, over the period than stock exchange securities, which are held mainly by persons with large estates.

All measurements of the inequality of the distribution of property must be conventional, in some degree. The economic power given to a minority of individuals by the possession of property may be greater or less than our figures would suggest. Further, it may be that it is the inequality of the distribution of only some and not all kinds of property which is most important. Again, any opinion as to the extent of inequality depends on an opinion as to how equally property ought to be distributed between individuals—whether all adult persons ought to have the same amount of property, irrespective of their ages, sex, and family responsibilities; and these last in turn raise problems, such as the proper rights and duties of parents to assist their children and the rights of bestowal and inheritance of property. It can be safely said that property in private hands is more equally distributed now than twenty-five years ago, but it is still true to say that property is unequally distributed in this country.

B. *Income from Property*

Inequality of the distribution of property may merely reflect differences in incomes. People with large incomes can save more and so accumulate property. On the other hand, since the existing inequality of the distribution of property in private hands may be mainly due, not to persons acquiring property through saving, but to persons inheriting property, the inequality of the distribution of

incomes is partly explained by the inequality of the distribution of property. To what extent this is true depends on the proportion of income received by individuals from property—'their unearned income'—to total national income, and secondly, the proportion of unearned to total income for persons in each income group. Obviously if only 5 per cent., instead of, say, 30 per cent., of the total national income was 'unearned', and the distribution of earned incomes was more unequal than the distribution of unearned incomes, the inequality of the distribution of property could not be considered so serious a factor in producing inequality of incomes as, in fact, it is.

The proportion of unearned to total income can be calculated for pre-War years from the Reports of the Inland Revenue, owing to the existence of differential rates of taxes on unearned income. For income-tax purposes, however, unearned income does not include interest on trade capital in private businesses, where the capital belongs to the proprietors, and it does not include directors' fees in the case of public companies. On the other hand, profits of private companies distributed as dividends and not as salaries are counted as unearned.

For 1911 Professor Bowley has estimated the proportion of unearned income to home-produced social income (counting pensions and employers' contributions to insurance funds as earned) to be 23½ per cent., or, excluding pensions and employers' insurance contributions both from total income and from earned income, 26 per cent. The proportion of unearned to total income, whether produced at home or received from abroad, and including pensions and employers' contributions to insurance funds as earned income, was 32 per cent. in 1911. If adequate allowance could be made for income derived by persons from their capital in their own businesses, the proportion of income from property to total income arising within the country was more than one-quarter, and the propor-

tion to total income arising within the country or received from abroad was one-third in 1911.[1]

Some changes in these proportions are likely to have occurred since the War—more particularly due to the decrease in income from abroad because of sales of foreign investments during the War. Indeed, Professor Bowley and Lord Stamp have estimated the proportion of unearned income to total income arising within the country, or received from abroad, to have fallen from 32 per cent. in 1911 to 28 per cent. in 1924. On the other hand, owing to the growth of pensions and employers' contributions to insurance funds since before the War, the proportion of unearned income to total home-produced income fell from 23½ to 18½ per cent. between 1911 and 1924, if such pensions and insurance contributions are included and counted as earned income, but rose from 26 to 29 per cent. if they are wholly excluded.[2]

These figures suggest that there was a fall in the proportion of unearned income between 1911 and 1924, if income from abroad is included, but little change over the period if income from abroad is excluded. No detailed information, however, is available for post-War years from the Inland Revenue returns as to the amount of unearned income, and the estimates made for 1924 are based on the pre-War proportions of unearned to total income assessed under each category of the different Schedules.[3]

[1] Professor A. L. Bowley, *The Division of the Product of Industry*, pp. 16–17. The figures given there do not apparently agree with Professor Bowley, *The Change in the Distribution of National Income*, pp. 23–5, but they have recently been reviewed by the author in *Wages and Incomes in the United Kingdom since 1860*, pp. 96–7.

[2] Professor A. L. Bowley and Lord Stamp, *The National Income, 1924*, pp. 47 and 52, and Professor Bowley, *Wages and Incomes in the United Kingdom since 1860*, p. 96.

[3] Estimates of total unearned income were given as £900–1,000 millions for incomes above the exemption limit in the financial years 1919–20 to 1921–2 (*House of Commons Debates*, April 1, 1924).

Certain classes of income from property—income from land, houses, and buildings under Schedule A, dividends from Government securities under Schedule C, interest from War securities, Dominion and foreign possessions, and railways under Schedule D—can be readily identified, but they do not cover more than half of the total of unearned income in each year. In the absence of more precise information it is difficult to determine what proportion of the profits under Schedule D of firms engaged in industry, distribution, transport, and finance accrues to individuals as income on their investments. While, therefore, estimates can be made of unearned income for years after 1924, the range of error of the estimates does not allow small changes in the proportion of unearned to total income to be measured, but such calculations as we have been able to make suggest that the proportion can have changed very little since 1924.

For our present purpose we are interested primarily in the proportion of unearned to total income received by individuals, and this proportion will be somewhat less than the percentages calculated above, in so far as they take into account income received by private persons corporately and by charities. The proportion of the incomes of corporate bodies and charities received from property will be higher than for private persons as a whole. For private persons individually the proportion of unearned to total income received is likely to be now about one-quarter. In this proportion, it should be noted, income from houses occupied by their owners is counted as unearned income.

If the proportion of unearned to total income is taken at one-quarter and it is assumed that the personal distribution of incomes from property is approximately the same as the personal distribution of property measured by capital values—that is, in 1936 1 per cent. of the

persons in the country owned about 55 per cent. of the property and approximately the same percentage of the total income from property—this 1 per cent. of the persons received, apart from income they may 'earn', at least one-seventh of the total of gross income accruing to private persons. (This relates to gross personal incomes before payment of income-taxes and surtaxes graduated according to sizes of incomes.) The inequality of the distribution of property is, therefore, an important factor in producing inequality of the distribution of incomes.

In evidence before the Committee on National Debt and Taxation, the Inland Revenue presented an analysis of the proportion of unearned income in incomes over £10,000 of super-tax payers in 1913–14 and 1922–3. The details given were obtained from samples covering approximately two-fifths of such persons in those years and were presented as representative of incomes more than £10,000. Twenty-seven per cent. in 1913–14 and 29½ per cent. in 1922–3 of the persons received the whole of their incomes from property; the others received both income from property and income earned from employment. Seventy per cent. of the total of incomes of persons with more than £10,000 was income from property.[1]

Various estimates of the distribution of incomes among individuals for post-War years have been published by Mr. C. Clark and Mr. L. R. Connor.[2] The differences between their estimates are not sufficient to prevent a general conclusion as to the effect of the distribution of incomes from property on the distribution of total incomes. If the analysis made by the Inland Revenue for 1922–3

[1] Appendix XV to the *Report of the Committee on National Debt and Taxation* (1927).

[2] C. Clark, *National Income and Outlay*, pp. 105–9, and L. R. Connor, *Journal of the Royal Statistical Society*, 1928.

of incomes over £10,000 can be used as applicable also to 1929, 70 per cent. of the total of incomes over £10,000 was derived from property and 30 per cent. from employment; for incomes below £10,000, less than one-quarter of the total was income from property and more than three-quarters earnings from employment. The Inland Revenue published in their analysis the proportion of unearned to total income for each income group over £10,000. The proportion in 1922–3 declined slightly but unevenly from the higher to the lower income groups, but for the £10,000–15,000 class the percentage of unearned income was 69 per cent. This proportion may be expected to be less for incomes of less than £10,000. If it can be assumed for the whole of surtax payers over £2,000—including those over £10,000—that the proportion of unearned to total income is not likely to be less than one-half but may be as high as two-thirds, the proportion of the total income of persons with less than £2,000 derived from property would be little higher than one-fifth.

The effect of the distribution of property in producing inequality of incomes can, however, only be incompletely measured by calculating, as we have done above, the proportion of total income derived from property and the change in this proportion according to income groups. The possession of property may give persons a more favourable opportunity by investment of their capital for themselves, their children, or relatives to earn high incomes in business or in the professions. The growth of the professional and salaried class has perhaps made such opportunities more possible. The fact that persons with small incomes have little property may be partly due to the fact that the possession of property is often necessary to have the facilities for earning higher incomes. Thus the inequality of the distribution of property may make the distribution of incomes still more unequal.

c. *Distribution of Property and of Incomes*

From one point of view all property may be considered to belong to private persons, and the distinctions we have made in this book between public property and private property are essentially between different forms of ownership. We have been able to show that public property has been increasing, but only gradually, as a proportion of the total property of the country during the last twenty-five years. We have estimated that, measured by the value of the physical assets and overseas investments owned by the State, local authorities, and charities, at least one-tenth of the property in Great Britain is under public ownership. Even if our definition of public property had been widened to include the property of the three large public corporations—the British Broadcasting Corporation, the Central Electricity Board, and the London Passenger Transport Board—and we had included a generous estimate for the value of armaments and roads, the proportion of public to total property is not likely to have been less than one-seventh. The range of public control in industry and trade is much wider than of public ownership, but the extension of public control has not been accompanied by any marked increase in public ownership. The creation of semi-autonomous undertakings, such as the London Passenger Transport Board, outside State ownership is, however, a post-War development of great significance.

The increase of public property, more especially in social security funds and social amenities, has meant, in effect, a reduction in the real inequality of the distribution of property and of incomes as between individuals. The increase in public property and the wider provision of social services have given large numbers of people the benefits, if not the rights, of property. But, as we have

shown, the bulk of the property of the country is still in private hands and the distribution of this property between individuals is very unequal. The inequality of the distribution of property in private hands has been reduced during the last twenty-five years, but again only gradually, and in 1936 1 per cent. of the persons aged 25 and over in England and Wales owned 55 per cent. of the total property in private hands. About one-quarter of the total of personal incomes is derived from property, and although complete information as to the amount of income from property is not available, income from property has not fallen as a proportion of national income to any great extent since before the War. The inequality of the distribution of property thus remains an important factor in producing inequality of the distribution of incomes. Persons with large amounts of property may derive high unearned incomes from their property, but may also, by investment of their capital, take advantage of existing opportunities to obtain high earned incomes for themselves or their relatives.

On the other hand, the ownership of property, and especially of certain kinds of property, such as savings bank deposits, Government securities and houses, is widespread among different classes of the community. In 1936 more than 8 million persons over 25—about one-third of the total adult population in Great Britain—possessed more than £100 each. The ownership of property in a primarily industrial country has been facilitated by the increasing separation of the ownership from the use of capital rendered possible by the development of joint-stock companies with limited liability. About three-fifths of the property in private hands now consists of Government securities, stocks and shares, and other contractual rights to money payments, and such property, compared with real property, requires little or no supervision by the owners. Income from property may perhaps

now be said to be, in a truer sense than before the War, unearned income.

An important distinction must, however, be made between the distribution of incomes before and after taxation. Since income-taxes and surtaxes are graduated according to the size of incomes and the receipts from such taxes are not redistributed among income groups proportionately in the same degree of inequality, the distribution of incomes after taxation is less unequal than before taxation. Taxation of incomes has increased since before the War and has been more steeply graded according to the size of income. Thus the inequality of the distribution of incomes before taxation—already reduced by the more equal distribution of property between individuals than before the War—has been more sharply reduced by taxation. In addition to death duties which may be payable, income-tax and surtax together amount to two-fifths of the total of incomes of persons with incomes over £2,000 a year at present rates of taxation. There are at present in Great Britain and Ireland about 100,000 incomes over £2,000 a year and about 10,000 incomes over £10,000. The aggregate of these incomes is about £500–550 millions for incomes over £2,000 and £200 millions for incomes over £10,000. It is estimated for 1938 that the annual tax receipts from incomes over £2,000 will be £134 millions from income-tax, £62 millions from surtax, and £69 millions from death duties, making a total of £265 millions; from incomes over £10,000 the receipts from income-tax, surtax, and death duties are estimated at £133 millions.[1]

The personal distribution of property and the character of public and of private property has been changing in Great Britain during the last twenty-five years. High death duties have tended to diffuse existing accumulations of property, and the increased, and more sharply

[1] *House of Commons Debates*, May 26, 1938.

graduated, taxation of incomes has restricted the growth of new fortunes. Compared with before the War, the inequality of personal distribution of property has been lessened and its effects in producing inequality of distribution of incomes reduced by taxation. There has been an increase in public control of property and an extension of public ownership. But it is true to say that the bulk of property in Great Britain is privately owned, that private property is unequally distributed between individuals, and that the inequality of the distribution of private property is perhaps the most important factor producing inequality of incomes in this country.

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Post Office Fund Accounts (include details of investments held by the Commissioners for the Reduction of the National Debt).
Post Office Savings Banks. Accounts of all Deposits received and paid, together with Statement showing Liabilities of the Government to Depositors and Securities held by National Debt Commissioners to meet those liabilities.
Queen Anne's Bounty. Annual Reports and Accounts of the Governors.
Railway Returns. Returns of the Capital, Traffic, Receipts, and Working Expenditure for the Railway Companies of Great Britain.
Rates and Rateable Values in England and Wales. Reports.
Registrar-General's, The, Statistical Reviews of England and Wales (Part II (Civil) and Texts).
Registrar-General, Scotland. Annual Reports.
Revenue, Reports of the Commissioners of His Majesty's Inland. (The 63rd Report for 1919-20 explains the methods used in compiling the estate duty returns and the classifications used in assessments of income under each Schedule.)

Social Services, Public. (Total Expenditure under Certain Acts of Parliament and the total number of persons directly benefiting from the expenditure.)

State Management Districts (Licensing Act, 1921). Reports.

Supreme Court of Judicature. Accounts of the Accountant-General, in respect of the Funds of Suitors of the Court (include details of Funds held by National Debt Commissioners on behalf of Supreme Court).

Tithe Act, 1936. Accounts of the sums received into and paid out of the Redemption Annuities Account and the advances to that Account from the Consolidated Fund.

Tramways and Light Railways (Street and Road) and Trolley Vehicle Undertakings: Returns for Local Authorities and Companies.

Treasury Chest Fund. Accounts.

Trustee Savings Banks. Reports of the Inspection Committee.

Trustee Savings Banks and Friendly Societies. Accounts of all sums received from and paid to Trustees, together with Statement showing Liabilities of the Government to Trustees and Securities held by National Debt Commissioners to meet those liabilities.

Ultimus Haeres (Scotland). Accounts of Estates and Treasure Trove in Scotland administered on behalf of the Crown.

Unemployment Fund. Accounts (include Statement of Securities held by National Debt Commissioners).

University Grants Committee. Returns from Universities and University Colleges in receipt of Treasury Grant (exclude colleges of Oxford and Cambridge).

Wheat Fund. Accounts of Fund established under Section 7 (1) of the Wheat Act, 1932.

VI. OTHER PUBLICATIONS

Building Societies. Arrangements with respect to income tax in the case of Building Societies (Circulars of the Building Societies Association).

Electricity. Annual Reports of the Central Electricity Board (Appendices to Reports give summaries of Accounts).

Hospitals Year Books (give accounts of Voluntary Hospitals and also details relating to number and size of Public Hospitals).

Local Authorities, Income Tax Assessments of. Rules agreed between the Board of Inland Revenue and Institute of Municipal Treasurers and Accountants for the determination of the liability of local authorities to income tax. (Institute of Municipal Treasurers and Accountants.)

Livery Companies. Whitaker's Almanacks give details of annual income of each Company.

Transport Board, London Passenger. Annual Reports and Accounts submitted to Minister of Transport.

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